

Nation's Business

August 1961 Vol. 49 No. 8

Published by the Chamber of Commerce of the United States
Washington, D.C.

7 Washington business outlook

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Study shows ways companies are relieving effects of price competition and profit squeeze; latest on decision-making

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No vacation spirit in Washington as new Administration travels road filled with foreign and domestic pitfalls

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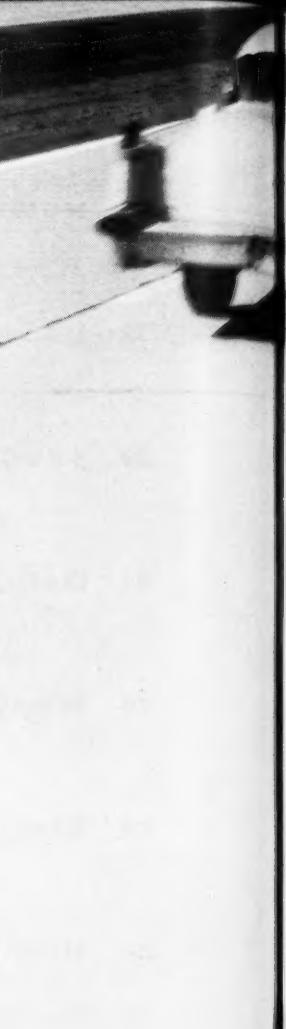
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WASHINGTON BUSINESS OUTLOOK

You can bet there won't be an automobile strike this summer.

Main reason: Nobody wants it.

Walter Reuther, auto union chief, has thrown some tough, inflationary demands at the manufacturers.

But union members won't back them up with a strike—not right away.

They're glad to get back to working full time after a bad winter, slow spring, and want to keep working as long as they can.

Management, government, the public don't want a strike either—which could retard economic expansion.

Watch for Mr. Reuther's strategy to follow what he did three years ago when last contracts were signed—drag negotiations out, even beyond the Sept. 1 deadline, to get the best deal he can.

What's bothering auto management—more than threat of a strike—is what Labor Secretary Goldberg might do to help the union get what Mr. Reuther wants.

Management fears White House intervention might force an inflationary settlement which would boost prices on next year's models.

Overtime pay points up—way up from recent months.

This is good business conditions indicator, often used by economists in forecasting future trends.

Some companies are still working fewer hours than a year ago.

But others are working more.

Here's the over-all story you see unfolding in manufacturing:

Nondurable goods industries are paying wages that average \$84.53 a week.

This includes an average \$7.36 a week overtime pay.

Durable goods manufacturing industries are paying an average \$101.66 a week.

This includes \$8.27 a week overtime pay.

What this means is:

Overtime work is costing companies in nondurable goods production more than \$37 million a week.

Durable goods companies are spending more than \$55 million a week in overtime payments.

This foreshadows the pick-up forecast for industrial production index.

Wage settlements are tapering off—temporarily.

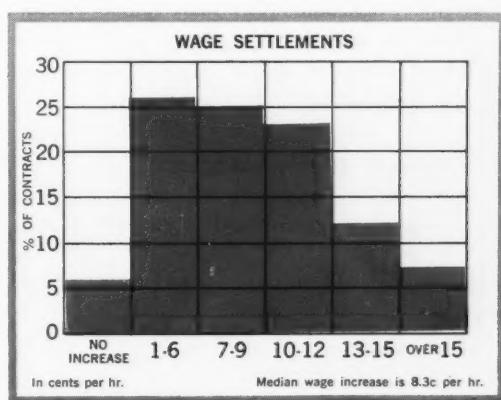
That's finding of new study by Bureau of National Affairs, Inc., an independent reporting service.

Study shows:

Median wage increase (half above, half below) negotiated by unions so far this year is running 8.3 cents an hour.

Compares with 9.2 cents last year.

Figures cover only hourly pay, include no fringe benefits, which run from 20 to 25 per cent of payroll costs.



About a fourth of this year's union settlements are resulting in pay boosts of seven to nine cents an hour.

About a third of the settlements are pushing hourly payments up between 10 and 15 cents an hour.

Important new trend:

More unions than last year are settling for no

pay increase at all. And fewer unions are winning more than 15 cents an hour in settlements this year.

Details:

Three out of 100 unions settled for no pay hike last year.

This year six out of 100 are taking no pay boost.

On the upper end, 10 unions out of 100 last year won 15 cents or more an hour.

This year it's seven out of 100 failing to get big hourly increases.

Big shot in economic arm comes from businessmen and consumers—not federal government.

Maybe you've heard that government spending is giving business a big lift.

Projection shows where upturn credit really belongs:

Total government spending for goods and services is headed up an estimated \$7 billion in the next 12 months.

Businessmen will boost their outlays by at least \$9.5 billion. Consumers will expand their spending by \$21.5 billion—maybe more—during the same period.

Look closer at government spending.

That \$7 billion increase in the buying of goods and services for government is divided up this way:

Washington will hike buying \$3 billion in year ahead.

State and local governments will boost these expenditures by \$4 billion.

This means business opportunity for selling to state and local governments will be expanded more than the market Uncle Sam provides.

Milestone: State and local spending for goods and services has just gone over the \$50 billion mark.

From here an increase is projected on up to \$60 billion annual rate by end of '63. That foreshadows higher taxes at state, local levels.

Federal debt ceiling, just pushed up to \$298 billion, will go up more.

Trends now indicate that the federal debt will soar above \$300 billion during the year ahead.

That means government officials will have to go back to Congress next spring to ask for another lift in debt limit.

Washington will use nearly twice as much red ink in the fiscal year ahead as in the year just ended.

Deficit will grow larger because of stepped-up spending on welfare, defense, space programs.

Revenue for the period ahead also will rise—but not enough to cover increased expenditures.

During fiscal year now just one month old, don't be surprised if expenditures exceed government revenue by something like \$7 billion.

That's broadly regarded as an important inflationary force.

Price trends, currently steady, will begin to move upward in the next two to three months.

That's prediction of price specialists in Washington.

Consumer price index has not changed much since last October (when it shot up five tenths of a point from September).

But the push of extra billions—in the form of federal red-ink dollars—pouring into the flow of commerce is expected to start causing an up-creep of prices soon.

Index will inch up at first.

Then it'll go up faster next year as impact of deficit federal spending begins to broaden.

Look for some prices to go up even if price tags don't.

Works like this:

In slack times some wholesalers relax discount arrangements.

You can get discount rates even though you order less than discount lots.

This is done to jack up lagging sales.

It's a way of reducing prices without formally

WASHINGTON BUSINESS OUTLOOK

announcing that you're charging less. Now, with business picking up, firms go back to standard policy on discounts for quantity lots.

Industrial production points up with increasing vigor.

Situation is this:

Total industrial output peaked in May last year.

Index remained high, slipping slowly downward.

Biggest dip came last September.

Downcreep, after that, continued to low point in February.

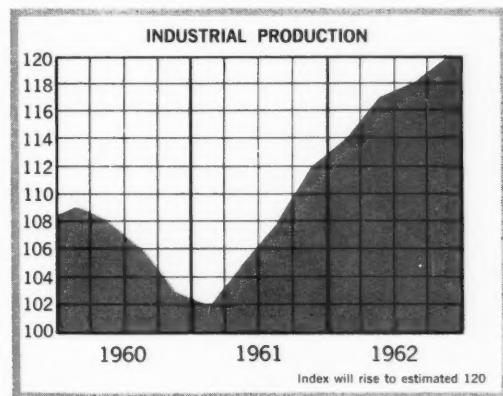
Since then the index has been climbing gradually.

It's expected soon to reach previous peak, go on up from there.

Here's forecast:

Look for production to reach at least 112 per cent (of 1957 base period) by final quarter this year.

It was almost 110 at last year's peak, sunk to 102 at low point this year.



Continuous rise is projected through the next year and a half, index probably reaching 120 by end of next year.

Sales volume will pick up vigorously.

That's impression of economists studying trends showing up in data gathered by government agencies.

Forecast:

Retail sales between now and next New Year's Eve will range around a total of \$97 billion.

Could be more.

That represents a minimum increase of four per cent above last year.

Nondurable goods, which have remained comparatively steady for about a year and a half, will start moving up.

Durable goods, which have fluctuated in the same period, will start moving faster.

With firm prospects for boosting sales volume during fall months, businessmen are starting to stockpile goods.

Businessmen in the next three months are expected to add to inventories at an average of about \$170 million a month.

Figure will go up steadily, reaching an estimated \$250 million a month before Christmas.

That means factory output and factory payrolls will increase. These trends are expected to continue after Christmas.

But there'll be no inventory build-up as sizable as last year's peak.

If some of your managers are going to college and university campuses to take executive training courses this month, they could run into some of America's future labor leaders.

Some 10,000 members of AFL-CIO unions will take part in special labor-union institutes.

Most union schools will be held on college and university campuses in 33 states.

About 15 additional institutes are scheduled to be held between September and November.

Popular courses include: Public speaking, parliamentary procedure, industrial engineering, new techniques for attracting better educated groups to the labor movement, special courses tailored to meet union leaders' needs for the future.



Chaseman Fred E. J. Kracke displays the wares of one of his small business customers

Household wares—and a symbol of greater usefulness from the people at Chase Manhattan

Lending money to small business is one of the things the people at Chase Manhattan like most to do. And for good and practical reasons.

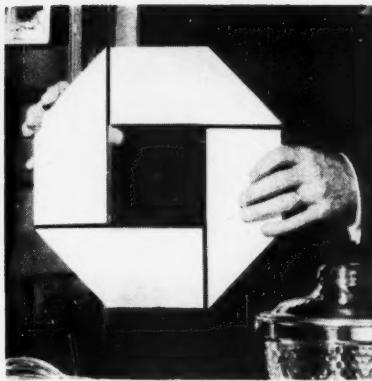
The fact is that when depositors' and stockholders' money goes to work in a small business loan, men and women go to work, too. And if the business succeeds, the whole community benefits by an increase in competition that

can bring a wider choice of products and better prices.

In a sense such loans are like seed corn. They go into the ground with much planning and great faith. Cultivated by men of character and ability they yield a harvest that profits all concerned, brings better living to the community, and ultimately contributes to the strength of the whole economy.

That's why there's no greater satisfaction to a banker than lending money to a business that goes places. It explains, too, why the small businessman is so welcome a customer at Chase Manhattan, and why he has a standing invitation to come in for financial guidance and assistance.

The factual report to the right is a case in point.



How a \$1,000 loan helped launch a business

Back in 1928 two young New Yorkers set out to make their fortune in wholesale housewares.

As experienced houseware salesmen, they knew their product and its market. They had character, credit-worthiness and imagination. Their only lack was money.

To Chaseman Kracke, they were a good credit risk. So a \$1,000 loan helped launch a company.

As the company grew and its credit requirements increased, larger loans were made to finance inventories and receivables. Other loans helped finance moving costs and the purchase cost of larger quarters.

Today the company's annual sales exceed \$2,500,000 and Chase Manhattan loans continue to help.

It's important to point out, too, that the principals still come to Chase Manhattan for financial advice and counsel. And whenever necessary they use the unlimited range of services that a large commercial bank can offer small business.

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Business opinion:

Concern mounts over Reds in Mexico

"REDS at U. S. Border Plot World Rule" [June] describes clearly how the Mexican nationals now begin to see the enemy that comprises a threat to their liberty. The same image is well seen by many civic groups in Colombia, Peru, and other Latin American countries, even though their governments find it politically expedient to avoid exposing this problem publicly.

My great concern is that our own government and even our leading civic groups at home either fail to see this enemy as comprising our task at hand, or they likewise feel some expediency in not so stating.

We have no stated government program or government spokesman that describes our task of dealing with this enemy as a human enemy. We are mightily concerned about our nuclear weapons, we now train guerrilla fighters for small shooting affairs, and our third and only thought of fighting the subversive war is economics, social improvements, and an attempt to feed the world. Please note that these programs deal entirely with conditions. Nowhere do they propose to expose and deal directly with our enemy as people.

Many civic groups in the Latin countries are picking up this battle of fighting communist agents, national communists and others directly through exposure and direct human contact if required. These groups look to the north and fail to find any leadership on this specific problem.

The battlefield is now in Mexico and other Latin countries. Were it in the United States itself, our citizens would be aroused to a complete study, understanding, and clear, intelligent program for dealing with this phase of the war that we are steadily losing.

R. F. MOODY
President
Compania Hulera Euzkadi, S.A.
(Affiliate, B. F. Goodrich Co.)
Mexico, D.F.

Your article has been well received by all the Americans in Mexico City who have had a copy to read. It is factual and well presented.

Now, if you could do a similar article on the same subject for the U. S. A., it might help to make Americans aware of the fact that the Reds are equally dangerous up there.

ELLSWORTH L. STINYARD
President
Norris & Elliott, S. A. de C. V.
Mexico, D. F.

It was extremely well done and accurate.

My sincere congratulations for this appropriate and constructive job.

MCNEIL S. STRINGER, JR.
General Manager
Minnesota Manufacturera de Mexico
S.A. de C.V.
(Affiliate, Minnesota Mining and
Manufacturing Co.)
Mexico, D.F.

The article was both informative and alarming.

I also noticed your recent articles concerning the use of trade by Russia to secure domination over underdeveloped nations, and on the dangers of socialized medicine.

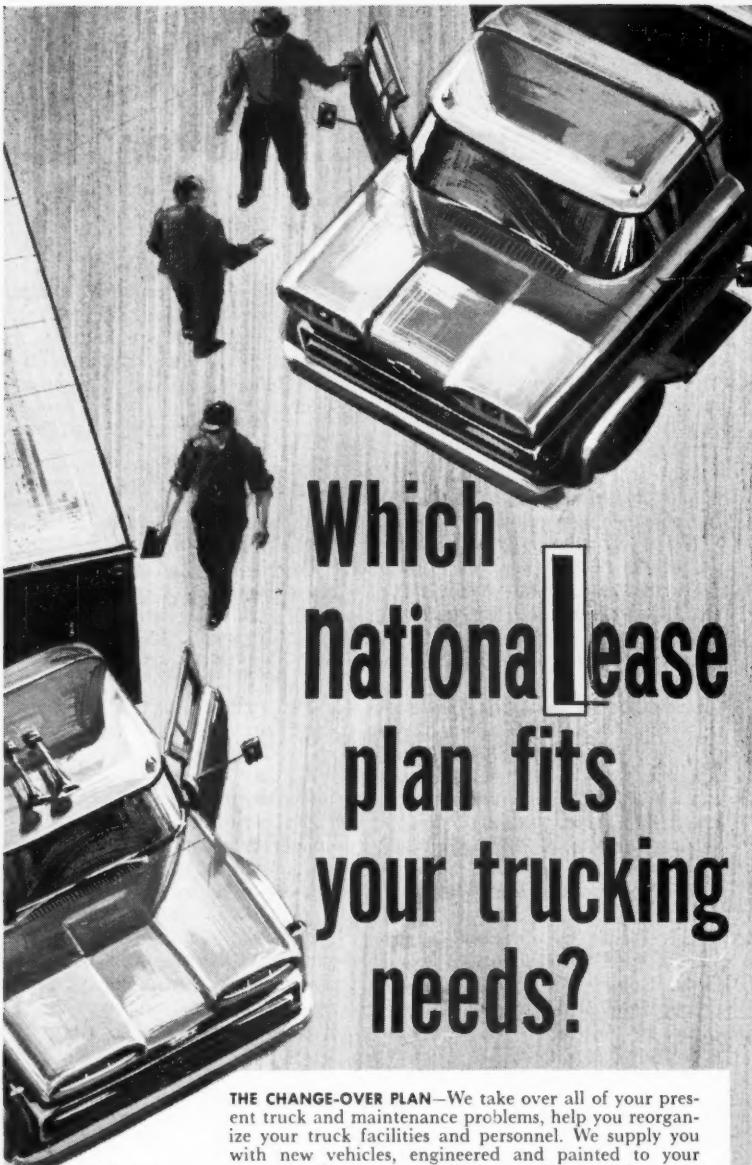
May we strongly commend you on your forthright stand. In the past 30 years, the principles of free enterprise which made our nation the strongest and freest nation in the world have been substantially abandoned.

RICHARD C. OLDHAM
Oldham, Burroughs & Miller
Attorneys
Louisville, Ky.

The only way—there is no other—to get U. S. dollars into the hands and pockets of deserving people in Mexico, or the world over for that matter, is for us to buy the products of their labor. And to insist on their principals letting the people know where the dollars that make their jobs, or that jingle in their pockets, came from.

My associates and I have learned something about fighting communism at the grass roots where the people are. Now if some one will just learn how to cope with political ambition and greed for power, and with intellectual communism or socialism in all its sordid glory, we will have it made.

The poor people actually do not



Business opinion:

Which National Lease plan fits your trucking needs?

LEASE A NEW CHEVROLET

or other fine truck and operate it as your own, with no investment, no upkeep, no headaches!

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THE CHANGE-OVER PLAN—We take over all of your present truck and maintenance problems, help you reorganize your truck facilities and personnel. We supply you with new vehicles, engineered and painted to your exact requirements, or will buy and recondition your present fleet.

THE ADD-A-TRUCK PLAN—As your business expands, don't use vital capital for more trucks, *lease* new ones as needed.

THE TRUCK RETIREMENT PLAN—As each truck in your fleet needs replacement, instead of buying a new one, *lease* it. In a few years all *your* vehicles are leased.

THE PILOT PLAN—Instead of switching from ownership to leasing in all locations, select one location (or division) for a "pilot" operation using full-service leased trucks, comparing costs and headaches with trucks which you still own and maintain.

LEASE FOR PROFIT—NATIONALEASE full-service truckleasing supplies everything but the driver. Licensed, insured trucks, engineered and painted to your needs, garaged and expertly maintained. ONE invoice, NO worries. Devote your full time, ALL your capital to your own business!



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want any part of communism. They want to get the wrinkles out of their bellies. It's the politicians, often the political leaders, who know these simple facts and make capital for themselves, with fake giveaways and false promises, and in the process make communists of the people.

ED C. SCHWILLE
President
Sales Associates, Inc.
Dallas, Texas

Newcomers bring hope

After despairing of the trend in the new national administration, it was like a breath of spring to read "Smart Young Newcomers Sell Conservative View" [May].

With these able young men representing us, maybe there is some hope for us yet.

DONALD F. BUECHNER
Vice President
The Provident Bank
Cincinnati, Ohio

Valid benchmark

"Check Your Knowledge This Way" [June] and its emphasis on the fact that today's facts may not necessarily be valid 30 days or 10 years hence was most informative.

It reminded me of an old benchmark we used in job classification when rating "experience" properly—"Does the man have 10 years experience or does he have one year of experience 10 times?"

JOHN C. SEARS
Executive Director
American Gear Manufacturers Assoc.
Washington, D. C.

Help for trainers

May we have permission to reprint a portion of "Eight Steps To Better Training" [March]?

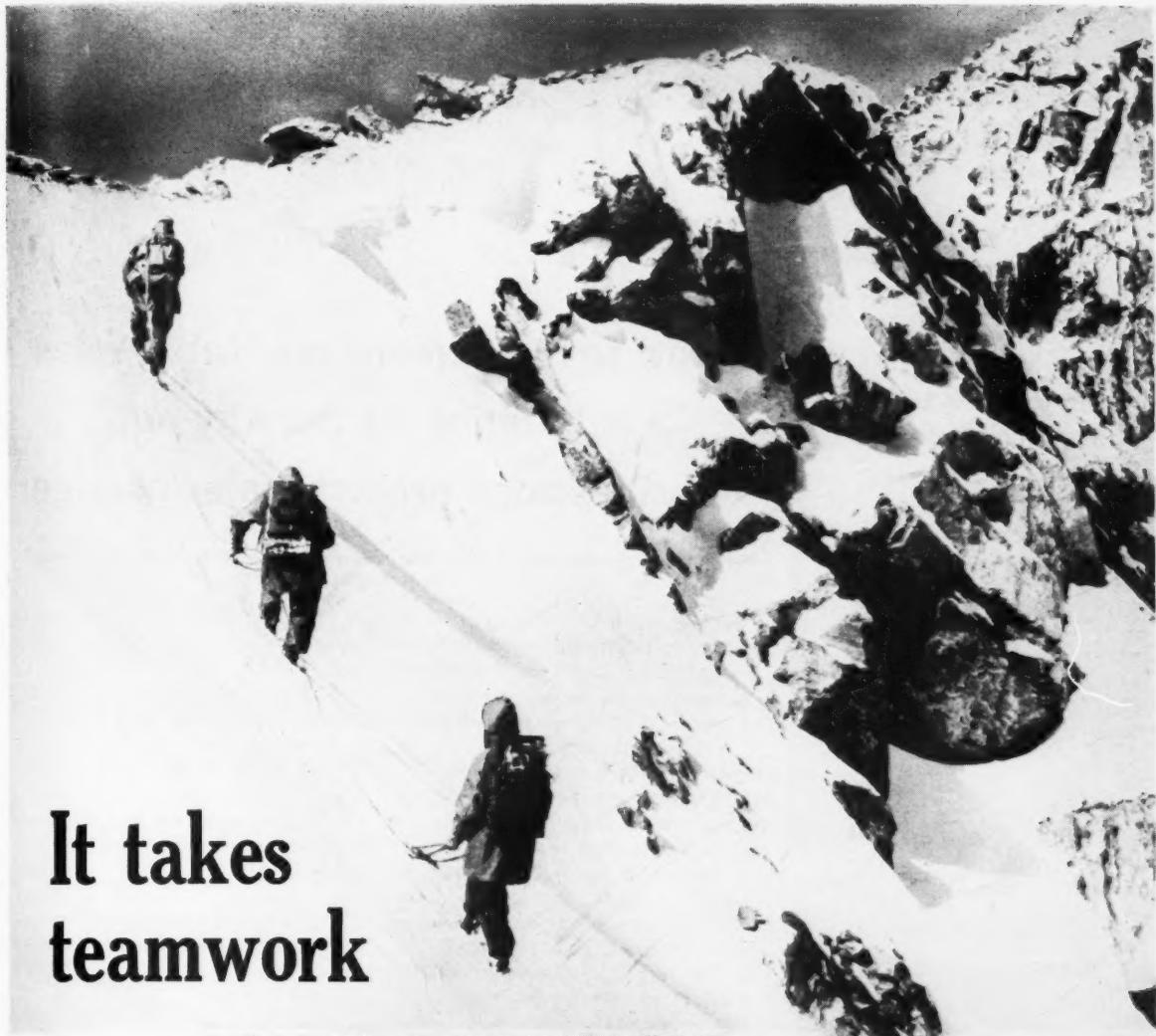
We would like to use this in "Talk About Training," a mimeographed bulletin distributed to about 500 managers and on-the-job trainers within United Air Lines.

J. J. HEAVEY
Field Training Superintendent
United Air Lines
Cheyenne, Wyo.

►Permission granted.

I feel this article will be extremely beneficial in my area of operation as a training supervisor.

H. G. WIEDENMANN
The Southern New England
Telephone Co.
New Haven Conn.



It takes teamwork

to develop a pension plan which benefits employer and employee



A PENSION PLAN which provides for the retirement of employees is no one-man operation. You need a well-coordinated *team of experts* to help you scale the troublesome peaks of financial planning. *Ætna Life's Pension Trust Service* may well offer the solution. Employee morale is improved and retirement benefits are assured; both employer and employee realize tax advantages.

However, to develop a plan like this you need a team of experts — your attorney, accountant, and your *Ætna Life* representative backed by our unique Pension Planning Department.

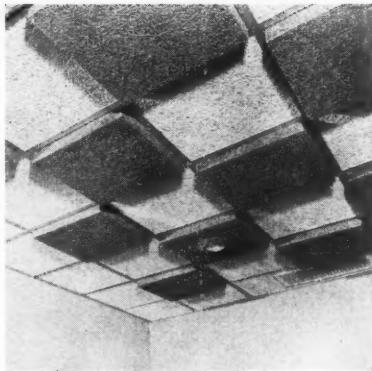
Here is teamwork that pays! Ask your *Ætna Life* representative to put it to work for you.

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Executive Trends

- How to make more profitable sales
- Is intuition on the way out?
- Businessmen predict major changes

Ways in which U. S. companies are acting to relieve the effects of price competition and its subsequent squeeze on profits are disclosed in a survey by the National Industrial Conference Board.

Here are some of the steps:

Gearing for a better job of selling on a quality and profit basis, rather than just taking orders.

Increasing the frequency of customer contacts and seeking new markets and new products where price competition is milder.

Passing up large volume, narrow margin sales that reduce profitability; eliminating low volume and marginal items.

Reinforcing the company image as the leader in those fields in which the company participates and providing new, salable products.

Weeding out small accounts where service costs are excessive and reducing manufacturing costs wherever possible to make possible lower prices at a profit.

• • •

Study by the Electronic Industries Association and the Department of Defense shows that an estimated 76 per cent of all engineers and scientists employed by the U. S. electronics industry are supported by government funds.

• • •

Pure judgment and experience are fast being outmoded by electronic computers and mathematical models

of business operations as instruments for executive decision-making.

This is the contention of Dr. Elwood S. Buffa, professor of production management at UCLA.

Dr. Buffa made an intensive study of intuitive decision-making by 52 business leaders, found only 10 per cent of them made the best possible decision in situations where there were 20 alternative solutions. Those who did reach the best possible solution—significantly—worked it out mathematically, Dr. Buffa reports.

Dr. Buffa discusses his conclusions in a new book, "Modern Production Management," recently published by John Wiley & Sons.

• • •

"What is the most significant change you foresee in your business during the 1960's?"

NATION'S BUSINESS asked this question of hundreds of top-ranking business and industrial executives.

The most significant changes expected include:

Increased automation and other technological improvements; new products, broader product lines; increased competition; further diversification; expansion; the search for more economical distribution.

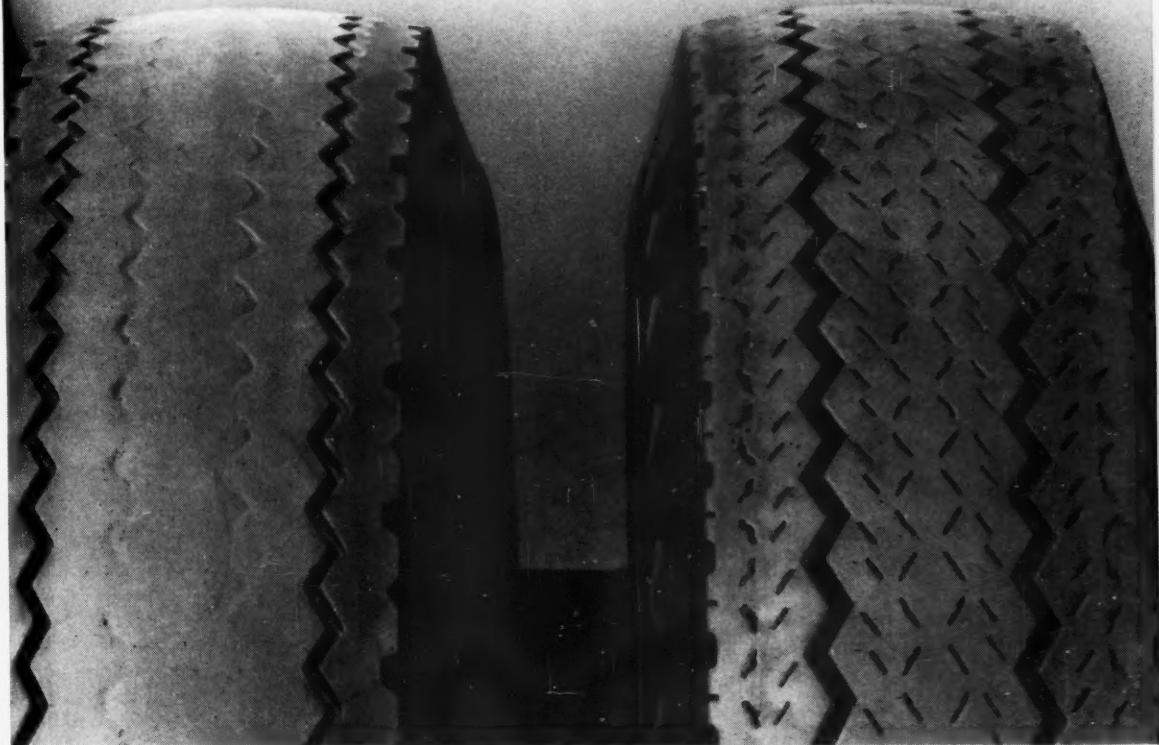
• • •

Here are some predictions:

President of a major insurance company: "[The most significant

When other
truck tires
are ready
for recaps . . .

this
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is still
ready to roll



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ARE YOU GETTING FULL CREDIT FOR “HIDDEN PAY”?

Chances are you're not!

Why? Because most employees do not realize that your contributions toward group insurance, qualified pension plans, Social Security and other employee benefits actually represent "additional pay."

To get maximum value from their investment in employee benefit plans, more and more companies are installing New York Life's NYL-A-PLAN—an insurance salary savings plan and consultation service. Here's how it works:

A trained New York Life representative holds conferences with your employees to explain the many advantages your company benefit plan provides. He coordinates company and any personal insurance for greater employee security.

Personal or business life and health insurance may be secured through NYL-A-PLAN at lower-than-regular monthly rates.

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EXECUTIVE TRENDS

continued

single change I foresee] will be automation, which will cut costs, improve efficiency and enable companies and agents to render much better service to policyholders and the public."

President of a metal fabricating firm: "The addition of new products probably foreign to present thinking."

Vice president of a large electrical products manufacturing concern: "Drastic changes in product line resulting from new technological developments now on the horizon."

Vice president of a materials company: "Boom in residential construction in 1965-1970."

President of a baby foods manufacturing company: "Greater efficiency and better consumer values. In the latter half of the 1960's a greatly increased market—more babies."

A number of executives expressed concern over further expansion of government competition with and control over business operations. One, an official of a company in the greeting card business, said: "Small business cannot compete with the larger manufacturers and will be forced out of business."

• • •
Surprisingly few businessmen (see above) discussed plans for entering or moving deeper into foreign markets.

Among those who did comment on this was T. F. Willers, executive vice president of Hooker Chemical Corporation. He said:

"The margin between the United States and the rest of the free world—technically and economically—has closed rapidly in the past 10 years. But we are still the highest-cost producers in the world, and unless we overcome this disadvantage in time we can be squeezed out of world markets."

"In the past we relied on our technical superiority and superior production methods. More and more we are going to Europe for research—men, ideas, and techniques. The U. S. is no longer the outstanding leader in the business world. Others

(continued on page 21)



NEW SUIT FOR SOFT DRINKS

Be it ever so humble, the "tin" can is about 99% steel—and much of that steel is supplied by the Jones & Laughlin Steel Corporation. In their search for new markets, J & L researchers zeroed in on the soft drinks industry a few years ago with gratifying results. Cans are the new, non-return package in the soft drink market.

Since World War II, INA coverage of J & L has grown into a "package" that includes every kind of casualty protection. Developing this "package" concept—individual programs that combine many forms of insurance to provide maximum coverage at minimum cost—INA has become the leading insurer of American business.

Jones & Laughlin is just one of many firms, big and small, protected by INA "packaging." Put INA's experience, flexibility and \$1 billion-plus assets to work for your business.

In personal coverage, too, the INA "package" idea offers simpler and more economical coverage for your home, your car, yourself. Your agent or broker will gladly explain how. See him—and ask about Insurance Company of North America.

INSURANCE BY NORTH AMERICA
Insurance Company of North America
Life Insurance Company of North America

World Headquarters: Philadelphia



EXECUTIVE TRENDS

continued

have adopted our methods and techniques—and are improving on them. The rate of growth—both industrial production and gross national product—has been higher in many countries of western Europe since the mid-Fifties.

"The U. S. must realize its traditional role has been diminished by this rapid recovery and progress . . . it will continue and we must adapt to it. This does not mean that we must abdicate our leadership; but surely we shall lose it if we do not recognize these changing conditions. We shall have to earn the high standard of living we have come to accept so lightly."

• • •

What characteristics make one man a top salesman and another just average or marginal?

In a recent survey conducted among 1,000 firms respondents listed the characteristics of star salesmen in this order:

- A top sales producer works harder.
- He plans his work.
- He organizes his time and energies more efficiently.
- He has more complete knowledge of his product.
- He is more aggressive.
- He has a natural feel for his product.
- His desire to succeed is greater.
- He radiates enthusiasm for what he is doing.

• • •

Are secretaries the best secret weapon we have in the research race with Russia?

Robert Sommer, of the Saskatchewan Hospital in Weyburn, Canada, suggests this possibility—facetiously—in a recent article in the *Worm Runner's Digest*, informal journal of the University of Michigan Department of Psychology's Planaria Research Group.

Mr. Sommer observes: "A lab can produce only as fast as its secretary can type. The lab with one scientist and four secretaries is in a more favorable position than the lab with four scientists and one secretary."

"In the latter case, the scientist will spend most of his day peering

over the secretary's shoulder, seeing whether she is showing favoritism to his three colleagues. There will be intrigues and quarrels to get letters typed, income tax forms filled out, and lead pencils requisitioned. Realistically, there is no motivation for the scientist to write if there is no one to type for him.

"In the lab with one scientist and four secretaries, our man is in constant turmoil to keep his assistants busy. He feels he must produce so that his harem looks busy. If they start bringing in knitting and learning bridge, his superiors will become suspicious."

Hence, Sommer's Law for the scientific output of any research lab:

Productivity equals the number of secretaries multiplied by average typing speed divided by the number of scientists.

• • •

Business is missing a good thing by not using its own publications to promote greater understanding of free enterprise economics.

That's the view of Robert P. Briggs, president of the Michigan State Chamber of Commerce and executive vice president of the Consumers Power Company of Jackson, Mich.

Mr. Briggs says employee publications in Michigan alone reach an audience of three million citizens, yet a personal survey he made of 43 company publications shows that less than 10 per cent of their space is devoted to such subjects as free enterprise, taxes or company operating results.

Labor publications, on the other hand, were found to be "well stocked with articles on economic subjects and union philosophies . . . [and] there is plenty of evidence that these publications receive wide attention."

• • •

Personal problems affecting your work? Study by Opinion Research Corporation shows that personal problems seem to have less impact on job attitudes than you might expect.

Job attitudes among employees with many problems appeared to differ little from attitudes of workers with few problems. Personal problems covered included those involving marriage, money, health.



TRUCK MEN WHO MEASURE COSTS IN PENNIES PER MILE DEPEND ON INTERNATIONAL

Truck men whose major mission in business is to *keep 'em rolling at minimum cost* are the people to ask about trucks. These "pros" in truck transportation will tell you they specify INTERNATIONAL Trucks because they have learned to depend on them... more so than ever in this age of rising costs.

INTERNATIONAL offers you unmatched dependability because:

You have the world's most complete line from which to choose the *one truck* that *best* answers your job requirements. Hundreds of basic models, thousands of variations — each built to solve a specific hauling problem.

You get INTERNATIONAL's 54 years of experience in building quality trucks. Stamina and economy are in the blueprint. Heavy or light, you can always be sure INTERNATIONALS are built as a truck *should* be built!

You get faster action when service is required. INTERNATIONAL's nation-wide network of factory branches, dealers and parts depots stands ready to give you fast, efficient service, get you back on the road to profit in a hurry.

The INTERNATIONAL Truck family stands ready to help you with any truck problem. Just call your INTERNATIONAL Dealer or Branch.

Summer brings capital ferment to spare

BY MERRIMAN SMITH

PRESIDENT KENNEDY, in commanding to Congress the creation of a new Disarmament Agency, said that the "ability of man to master his environment threatens to outpace his ability to control himself."

At a jolly Moscow party Deputy Soviet Premier Anastas Mikoyan said of his boss, Nikita S. Khrushchev, that his tongue was truly his secret weapon.

Khrushchev's son-in-law, Aleksi Adjubei, editor of the Soviet government newspaper *Izvestia*, visited New York and Washington not long ago. In the course of a long "we're right and you're wrong" conversation with a few American acquaintances one night in Washington, Adjubei said, "There's only one answer to Berlin—you get out and we get out." This, of course, would leave the East Germans in complete control of access to West Berlin, and result in the slow strangulation of this glittering western island in the drab sea of communist Germany.

Gen. Thomas D. White said shortly after his retirement as Air Force Chief of Staff that he saw "a fair chance" of the Berlin situation leading to war. General White also said he was not convinced "the people of this nation recognize the seriousness of this situation."

Sen. Jacob K. Javits, Republican of New York, called for action by Congress and the Administration to show Khrushchev that "we don't intend to back down on Berlin." Sen. Kenneth B. Keating, another New York Republican, said the United States should put some real teeth in her defenses of West Berlin.

All these comments were symptomatic of Washington in midsummer. There was a restless hum of debate, analysis and speculation from the cool chambers of the Senate Office Building to the humid little gardens of Georgetown, all seeking the answer to the question depressing the nation's capital this August:

Will we have to fight over Berlin?

No answer is likely for many weeks.

The so called Berlin crisis inevitably will glow al-

most to the explosion point, then cool under new blandishments by Khrushchev in an irritating process of diplomatic undulation before the war question is answered.

The problem this summer for the people and the Administration was to look beyond the peaks and valleys of Russian strategy for a good, hard view of the horizon. And this may be difficult, indeed, until Khrushchev has his October meeting of the Communist Party Congress. There, the difficulties inside the Sino-Soviet bloc—serious crop troubles, acute short-



Washington tries to look behind Soviet strategy as Khrushchev turns crisis button on and off

ages in certain foods, the ideological carping between Moscow and Peking—could dampen Khrushchev's thinking on Berlin.

Or spur him into strident action.

Until we know whether Khrushchev will risk a fight; whether the West will negotiate something less than an all-or-nothing settlement; or whether West Berlin is permitted to rock along in an uneasy status quo; Berlin will continue to color the thinking, the mood, the policies and decisions in Washington.

One rather sensitive method of appreciating the Berlin situation is to realize that as long as Khrush-

Merriman Smith is the White House reporter for United Press International.

TRENDS: WASHINGTON MOOD

shchev can push his crisis button off and on, there is little reason for speaking wishfully of lower taxes. Not even Khrushchev, however, can destroy this basic American dream.

In these inflationary times, businessmen paying a dollar a unit for a certain product can remember when the same article sold for 50 cents—"and was twice as good."

Housewives survey their Friday night haul from the supermarket, sadly review the cash register tape beside their sheets of trading stamps and mourn the not-too-distant past when \$25 would have bought "twice as much."

When asked to assess this state of affairs, husband and wife both are inclined to blame taxes, federal, state and local. Sales, excise, corporate and income. Visible and hidden.

Washington felt the irritation of this situation this summer. Congressional and White House mail was mountainous. A politician cannot shift the burden entirely to the international situation by writing back, "Madam, your taxes will go down when Khrushchev says so." Instead, the leaders must talk of the need for general tax reform, of closing loopholes, of hitting the expense account artists, of eliminating federal waste. None of these, sadly, will change the withholding tax bite out of most pay checks.

The frustration of not being able to come to grips with some of the basic domestic problems was causing some signs of irritation at the White House, too.

• • •

The President and some of his chief administration figures seemed to be growing more noticeably allergic to the grousing of some career federal officials about the lack of proper organization and administrative tidiness along the New Frontier.

President Kennedy outlined his feelings toward such complaints when he told a press conference:

"... in my experience, you don't get much done when things are quiet and beautifully organized. I think that is the time to be concerned, not when there is some feeling and interest and concern."

Within the executive branch of government, the claims of poor organization come largely from old line career men and women who would not have dared air their feelings even in private had it not been for the failure of the so-called Cuban invasion. Veteran government employees usually keep their gripes to themselves for a rather extended period after the arrival of a new team at the top. The Cuban fiasco, however, provided curious license for spreading tales of horrendous foul-ups in paper work and planning in departments and agencies far removed from any connection with the Cuban operation.

Career civil servants are not unlike Army enlisted men to whom griping is not only a favorite pastime, but a somewhat sacred right.

So much for the built-in or to-be-expected complaint factor in government. The President brought with him into the Executive a host of men and wom-

en bursting with ideas. President Kennedy, himself, believes in arriving at what he calls a judgment by deliberately counterposing conflicting ideas, suggestions and even research. What emerges from such a crucible is, he feels, sounder and stronger than the product of men who pull together or think together simply because it is the thing to do.

His system requires great flexibility and the ability to shift directions. If there is one word to typify his operations, it would seem to be "change." He changes speech texts right down to the second he begins delivery. He scrawls changes in letters ready for signature. He changes the schedules of his trips at the last minute. Perfectionism and late-hour rearrangement may delay messages to Congress by a day or two or three.

The Republicans might decry this as indecision while the Democrats hail it as an admirable attack on cumbersome formalism.

• • •

Much of the internal criticism of New Frontier methods comes from the military. Some of the admirals and generals feel they were bum-rapped for their share in the Cuban invasion plans. Some feel that the President and/or such influential figures as Theodore Sorensen and McGeorge Bundy are not sufficiently receptive of the opinions and recommendations of the military. Many professional soldiers, sailors and airmen do not like the idea of having Gen. Maxwell Taylor at Kennedy's side as a military adviser beyond the control of the Joint Chiefs of Staff and operating almost independently of the Pentagon.

Some career diplomats feel there has been a lack of coordination among the various governmental units and specialists working on Latin American policies and programs. Concerning such criticism, President Kennedy told reporters, "We are attempting to do something about Latin America and there is bound to be ferment. If the ferment produces a useful result, it will be worth while."

If the same reasoning may be applied to the rest of the government, things are whizzing along in Washington this summer. There is ferment to spare.

The President's domestic legislative program has fared better in Congress than many of his critics and opponents expected. But there have not been the legislative accomplishments which the President wanted by this time of year. If Congress continues in session until about Labor Day, as now seems likely, the Kennedy scorecard on legislation should be fairly good from his standpoint, but not what it might have been had he won the election last November by something more than a sliverous margin.

If this reflection of the Washington mood in early August casts a somewhat muddy and distressing picture, this is only because the situation is muddy and distressing, due largely to the international clouds that break occasionally, but invariably reform blacker and more menacing than before. It would be a godsend if there were some way of determining with any precision how far the Russians intend to carry their truculence. There's really little point in hoping for such a determination any time soon, however, because this would require clairvoyance.

Scholars may change but facts don't

BY FELIX MORLEY

AS AN HISTORIAN, Prof. Arnold J. Toynbee ranks high. He has been famous in this country, as much so as in his native England, for the nearly 30 years since publication of the first three volumes of "A Study of History."

This monumental work, of which the twelfth massive volume was published recently, has won for its author an outstanding reputation, and also some incisive criticism from the small minority which has actually plowed through it all.

Prof. Toynbee's major contribution, although he was foreshadowed in this by a number of others, has been to view the history of a civilization as something wholly distinct from that of any single nation. "English history," he wrote in 1933, "does not become intelligible until we view it as the history of a wider society of which Great Britain is a member in company with other national states. . . ."

This study of civilizations as a whole is to Prof. Toynbee the only meaningful history. And with the polarization of the world into two great military alliances, with few countries strong enough to maintain neutrality between them, the discounting of national history as such has become the rule rather than the exception in our schools and colleges.

• • •

Having identified his separate civilizations, only 21 of them during all the millennia for which there is recorded or archaeological evidence, Prof. Toynbee set himself the intriguing question of why they rose and fell. The exhaustive, and often exhausting, effort to this end fills close to 8,000 printed pages. Their frequently qualified findings cannot, with justice, be summarized here. But in view of Professor Toynbee's great influence, direct and indirect, on current teaching, some of his earlier points are well worthy of recollection.

For instance, in his fifth volume, published in 1939, this English historian identifies two characteristics of western civilization which were to him, then at least, clear instances of "the process of disintegration." The interesting point for us today is that one of these examples of decay was governmental welfarism while

the other was governmental aid to underdeveloped countries.

On the subject of foreign aid, indeed, Professor Toynbee at that time had the most scathing criticism for what the United States is trying to do today. While his writing is ponderous it is certainly worth the effort of reading, here and now:

"It is only in so far as it succeeds in radiating itself out on the cultural plane that a civilization can ever genuinely and completely assimilate an alien body social with which it has come into contact; for the most spectacular triumphs of economic and political radiation are imperfect and therefore precarious. Accordingly it is more profitable, both for the society which is emitting the radiation and for the society which is receiving it, that an inch should be gained on the cultural plane than a mile on the political plane or a league on the economic."

Professor Toynbee then goes on to argue that a growing civilization will expand slowly and without



In 1939 Professor Toynbee attacked welfarism. Now his target is the capitalistic system

any governmental hoopla as to what it is doing. "By contrast, the expansion of a disintegrating civilization is exposed as being showy but unsound." Because it is making no real cultural gain in the minds of other peoples, "the economic and political seed which a disintegrating civilization contrives to scatter so far afield is sickly seed sown among thorns."

Advocates of welfarism are debunked almost as mercilessly as advocates of foreign aid, in the same

TRENDS: STATE OF THE NATION

volume of "A Study of History." In Toynbee's words: "Even in the most old-fashioned communities of our Twentieth Century western world the traditional military state and police-state is now concerning itself to some extent with the promotion of health and education and employment." And then: "in thus seeking to present itself to its subjects in the guise of a ministering angel or a fairy godmother . . . the modern western state is implicitly concurring in a moral condemnation of its own blood-stained past."

The picture, Professor Toynbee concludes, "is clearly analogous" to the burst of governmental subsidization that ushered in the decline and fall of the Roman Empire.

• • •

Since Professor Toynbee draws many such indictments, inescapably applicable to the current policies of the United States, one would expect him, on his frequent lecture tours over here, to warn us of the approaching doom which, according to his conclusions, we are by our own policies hastening on. Strangely to the contrary, we find this historian urging us to speed up the very practices which throughout history he has diagnosed as being habitually fatal to those who use them.

Thus, in his recent commencement address at Haverford College, Dr. Toynbee told the new graduates of this Pennsylvania institution that "the wave



Expansion of disintegrating civilizations is showy but unsound. Growing civilizations expand slowly

of the future is going to be public service, not private enterprise." Those leaving college this year will have full opportunity "to serve the human race as a whole in such vital services as public health, food and agriculture, and economic aid." Yet only a few years earlier Dr. Toynbee told us that, in our dealings with other peoples, it is far better to gain an inch on the cultural plane than a league on the economic, the ratio of greater desirability here being as 190,080 to one.

In his June address at Haverford this mystifying pundit did not stop with contradictions of earlier pro-

nouncements. He also launched a full-scale attack on the capitalist system. "An unjustifiably large proportion of the world's wealth," he asserted, "is now being squandered to meet the artificially fostered demands of an affluent western minority of the human race." Citizenship is made "ineffective," he said, by "our present-day western preoccupation with private business enterprise aiming primarily at personal monetary profit."

This is a doctrine that must have made the worthy Quaker capitalists who founded Haverford stir anxiously in their graves. But in this matter the professor was in a widely accepted academic groove. It is now the custom at many American colleges to bite the hands that have been so generous in their feeding. Perhaps at Haverford, seeking at this moment to add millions to its already rich endowment, the remarks were not the most tactful.

At least a partial explanation can be found for the many inconsistencies between the Toynbee outlooks, past and present. Never, in all the 12 volumes of his heroic study, does he admit the possibility that the United States may have evolved a civilization significantly different from that of Western Europe. The story of this country, on which the professor is not well informed, is regarded as being merely that of an interesting offshoot. For him it follows that, if the civilization of Western Europe has crashed, in two world wars, then that of America has gone under also. Therefore the necessity is to build anew, ignoring old foundations if they seem too limited to carry a pretentious structure of wholly new design.

• • •

Of the extent of the crash, in his own country, Professor Toynbee is poignantly aware. He made it plain in this Haverford talk, saying that within four years of his own graduation, from Oxford, "half of us were dead."

The same disaster decimated the same generation in all the other leading European nations. It brought communism to control in Russia, and, when supplemented by World War II, unquestionably ended the Great Power status of Britain, France, and Germany alike. Only by uniting the fragments left can the common civilization of these countries hope to recover from the disintegrating effects of their mutually suicidal conflicts.

But the United States, this historian should realize, is actually much more than an offshoot from battered Europe. If there has been "repudiation of the responsibilities of citizenship" and a failure of free enterprise in Britain, it does not mean that this has happened here. Someone should tell the distinguished scholar that, without the profit system which he attacks, neither Haverford nor any of the other independent colleges where he rides circuit would be available as his forum.

It would be better still if those who listen to Professor Toynbee now would read carefully what he was writing a quarter century ago. For then he saw and said clearly that the roots of all the civilizations now dead began to wither as Big Government took more and more power, and with it more and more vitality, away from the localities and from the people.

What KEFAUVER wants from business

Investigator of business reveals his goals in interview

THE INQUIRIES of the nation's most famous investigator, Sen. Estes Kefauver of Tennessee, have reached a climax.

Through his extensive congressional studies of business pricing practices—topped by the recent hearings into price fixing and allocation of business in the electrical industry—he believes he has built a case for new laws to regulate business practices.

Business and government agree that competition, not collusion, should be the central rule of commerce. But many businessmen fear that federal enthusiasm in guarding against private monopoly could result in too much concentration of economic power in government. If the pendulum swings too far, they realize it could lead to political regimentation rather than freer enterprise through dispersion of economic power.

How far will the government go? NATION'S BUSINESS editors, in an exclusive interview, asked Senator Kefauver the questions in the minds of businessmen throughout the country today. He was asked to reveal his basic thinking on what government and business should do to assure free, competitive enterprise.

Broad changes in the laws are needed, Senator Kefauver believes. He wants, for example: smaller corporations, heavier antitrust penalties, more management responsibility for competition, lower prices in certain industries, more government power to get evidence from business, and perhaps even different antitrust laws for foreign trade.

In the following interview, you will find the prospects for changes in the future as Senator Kefauver, Democratic Chairman of the U. S. Senate Antitrust and Monopoly Subcommittee, sees them.

Senator, why do you think new legislation is needed in the antitrust field?

I think the Philadelphia trial on charges of price fixing, market allocation, and bid-rigging in the elec-

trical industry and the publicity from it, and also the hearings before the Senate Antitrust and Monopoly Subcommittee have brought home the importance of the antitrust laws to the people of the nation and of industry. I believe that this will be much to the good.

But I do think that several legislative proposals should be considered to tighten up the antitrust laws.

Could you be specific about these changes?

I believe that the very large size of corporations in some of our industries is part of the problem.

We have found that in smaller corporations chief executives are able to get in the front ranks where the sales are being handled, talk with salesmen and stress the importance of antitrust laws. They are better able to carry out an effective antitrust program than their counterparts in giant corporations. So I have felt for some time that there ought to be some inducement to corporations to spin off or divest a part of some divisions or some of their activities—particularly where that activity may not be related to the principal business of the corporation.

Of course, the antitrust laws when enforced have resulted in the divestiture of divisions or sections of corporations. That undoubtedly will take place in years to come, but I feel that some of the managers of large corporations themselves may recognize that the corporations are getting too large for effective supervision and control in the antitrust field. If some tax inducement could be offered for voluntary divestiture of some of these divisions, we might have more of it.

Do you favor a statutory limit on the size of a corporation?

I have thought about that a great deal and it is awfully hard to fix a statutory limit that applies to everything. What would be a huge trust in the cel-



YOICHI OKAMOTO

Senator Kefauver presides over the Antitrust and Monopoly Subcommittee

WHAT KEFAUVER WANTS FROM BUSINESS *continued*

phane business would be a small corporation in the auto business, so it is hard to say the overall size shall be not more than \$1 billion or \$500 million.

What other changes in antitrust laws do you favor?

We have found that some corporations feel they can pay the penalty for antitrust enforcement as a business expense. Their illegal activities go right on, which of course doesn't afford their competitors or the public any protection.

We also run into situations where top management people, responsible for the corporation, although they may know about the antitrust violations or have a responsibility to do something about them, merely acquiesce in what is taking place without personally

participating. They themselves may not talk with competitors and fix prices or rig the market, but they know about it or should know about it, and should do something about it.

Together with cosponsors, I have introduced bills which would increase penalties for most antitrust violations providing heavier fines and sentences for certain second offenders within a 10-year period and raising penalties for price-fixing and market division; and fix responsibility of corporate officials for stopping antitrust violations.

Then, too, there is the proposal pending before the subcommittee by Sen. William Proxmire of Wisconsin that a corporate official who has been found guilty and fined for violation of the antitrust laws, in the disre-

tion of the court, shouldn't be allowed to be a corporate officer for one year or for some length of time. That is similar to the provision in the Landrum-Griffin bill which prohibits an officer in a labor union found guilty of violation of certain types of criminal laws from being an officer of the union for a certain number of years.

Then, it seems to me that, where in sealed bids or specifications there is a long-time pattern of identical bids, the judge might be given authority to consider that *prima facie* evidence of antitrust violation and require a shifting of the burden of proof.

We have found that the Interior Department, which has required a certification that the people responsible for the submission of the bid have not talked the matter over with competitors, gets much greater differences in bids than where they just advertise for secret bids.

So I have introduced a bill requiring government procurement divisions to require certification under oath that there has been no collusion or discussion of prices where they have found a company following a pattern of submitting identical bids.

What do you think individual businesses should do to be sure they comply with all the antitrust laws?

It takes more than just putting out a directive, as we have seen.

I think it requires first a sympathetic feeling about the antitrust laws. Fixing prices makes a mockery of our antitrust laws and destroys our free competitive enterprise system.

We know that people are not going to put up with corporate management fixing prices. People don't want the government fixing prices, which would be the alternative. They want free competition and the only way to get it is to have effective antitrust laws and enforce them.

I think businesses must have a real antitrust program. Management must find out what is going on at the sales level, whether any price-fixing is taking place and be vigorous in carrying out its antitrust program. Some companies are, and they don't have these continuing violations.

In other companies, all the emphasis is put upon getting more profits. I think the antitrust laws should be given the same importance as the desirability of having a profitable operation.

Senator, you have several bills pending before your committee. Which will you push for next?

The first thing we will try to get completed is the civil demand bill. This bill would enable the Department of Justice, when it feels it might have a civil case against a corporation under the antitrust laws, to make a civil demand for the papers and documents needed to find out what the facts are.

The Department of Justice can, to a limited extent, go through a criminal grand jury to get papers and documents which may later be used in a civil case. But that is an unsatisfactory method, as has been recognized by the Eisenhower Administration, the

Kennedy Administration, and by the American Bar Association's Committee on Antitrust.

The Federal Trade Commission has the right to get papers in civil cases by civil demand and it has worked satisfactorily there. The secrecy has been kept, the right has not been abused.

It is important for the effectiveness of the antitrust laws that the Department of Justice have the same power.

In the last Congress we passed a bill to this effect but it died in the House. This year Congressman Emanuel Celler [chairman of the House Judiciary Committee] is sponsoring the same bill that I have in the Senate.

Do you feel that this has a good prospect for passage this year?

Yes, I feel it will be passed in this session of Congress.

Next we want to have legislative hearings in connection with our ethical drug inquiry. We have a bill pending which has these basic points: First, it is aimed at violations of the Sherman Act where two or more companies, which are trying to get a patent on a drug, get together to let one company get the patent with a consideration perhaps of the other's being licensed.

This would require independent consideration for applications for patents.

The second point is that many drugs are excessively high in price. These may be important drugs for treatment of diseases or saving lives but high priced because the company may have a patent which gives it a complete monopoly for 17 years.

During that time nobody else can manufacture or sell the drug. It can manufacture as little as it pleases and sell the drug for any price it can get.

The second section of the bill would give the company a monopoly for only three years on a patented drug. After that, the company would lose its patent protection unless it

(continued on page 66)

¶ Some companies
put all the emphasis on
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profitable operation. ¶

New target for Red brainpower

Future needs changing Soviet education goals

THE SOVIET UNION is turning with renewed vigor to its drive to catch and pass the United States in industrial strength.

Premier Khrushchev recently boasted that his new economic program—"a tempestuous growth" of all phases of the Russian economy, with food and light industry keeping pace with heavy industry—would ensure the USSR of "unquestionable superiority over all leading capitalist powers."

In reply, President Kennedy advised the Soviet leader not to pick a place on his trophy room wall for the tiger skin before he catches the tiger.

In the industrial contest the Russians are using the same highly effective technique which enabled them to accomplish their feats in space.

The important questions for Americans are these: How does the Soviet technique work? Can it be applied to industrialization with the same success as

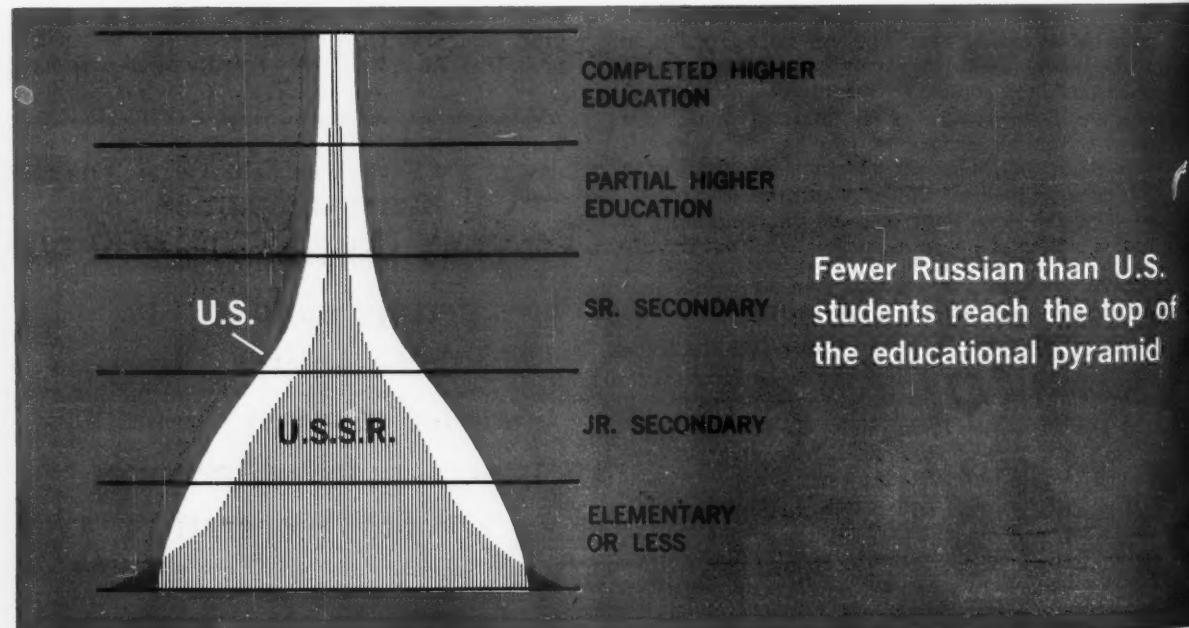
that realized in space? The Russians have many forces working in their favor. They are obviously first in propaganda effectiveness. They will use any threat of overtaking us in industrial power to gain ground for communism in the growing countries of the world.

In assessing Russia's opportunities, let us examine:

- How the USSR focuses its men and resources on high-priority objectives.
- Soviet training of scientists and engineers.
- Use of its scientific manpower.
- The role of scientific manpower in decision-making.
- What the future holds for the Russians' forced-draft technique.

Focus on top objectives

When the Soviet industrialization drive began in the late 1920's, Stalin coined the slogan, "Catch up



with and surpass the United States"—in industrial production, technology, education, and science. During the past three decades, this goal became a driving whip in mobilizing the human and material resources of the Soviet Union.

The communist leadership realized that, if it could achieve this aim, its mythical claim of the superiority of communism over capitalism would seem to be reality.

Khrushchev terms economic growth "the most formidable weapon in the hands of the Soviet Union."

He adds that his country "has now outstripped all the developed capitalist countries and is about to touch the heels of the very leader of the capitalist world, the U. S. A."

Khrushchev's words emphasize that the West has not lost the economic race as yet, and that the catching-up psychology needs frequent and generous injections of stimulants through propaganda feats to keep up the people's morale, discipline, and sense of purpose, as well as to justify further sacrifice.

The space feats were but one result of the Soviet technique of concentrating men and resources on top-priority projects at the cost of others and at the cost of sacrifice by the Russian people. In a totalitarian society, the top decisions—such as what share

Nicholas DeWitt, the author, is project director for study on Soviet manpower and education at the Office of Scientific Personnel, National Academy of Sciences-National Research Council. Much of the statistical information in this article is drawn from his three-year survey, "Education and Professional Employment in the USSR," which the National Science Foundation will publish next month. Mr. DeWitt is an associate at the Russian Research Center at Harvard University.

of the national product shall be devoted to military build-up, education and research rather than consumption—are made by the central government. They are largely political decisions made to suit government objectives.

The Soviet space program is a perfect example of the benefits derived from a strategic engineering decision in 1950. The essence of that decision was that top priority be given to one area of research and development, in contrast to the multiplicity of effort in the American space program. Soviet scientists themselves admit that their space program cannot compare with ours in scope, diversity, even perhaps in the money and personnel involved; yet they take great pride in their singleness of purpose.

High priority and singleness of purpose are shown in other fields of Russian science as well—nuclear energy programs, atom smashers, computers, high polymer chemistry and synthetics, for example.

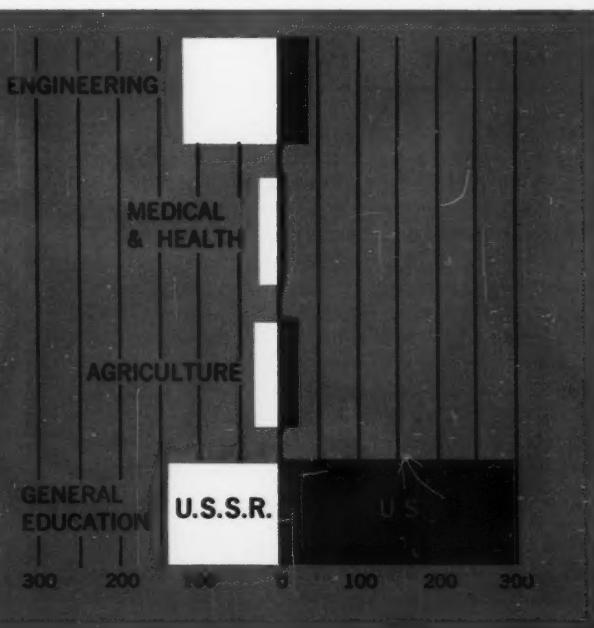
Scientific training

The planners set similar priorities in the development of human resources. The Soviet regime's heavy investment in education is aimed at developing human talent with specialized, functional skills. Education is a means to an end, used conscientiously to develop the technical proficiency the economy requires. To this end the Kremlin, in a literal sense, rations education to suit its needs.

While Russia in relative terms lags behind the United States in over-all higher education, it adds twice as many persons to its scientific manpower pool each year.

The Soviet Union sets enrollment quotas for each level of education and determines its type and content for every school. Until recently, for all practical purposes, only elementary (*continued on page 86*)

USSR, however, produces more graduates in technical fields by concentration of effort





Dayton's department stores' director of presentations, Joseph Wright . . .

FOUR COMPANIES STRETCH EXECUTIVES

This plan helps make good managers better

"HOW DO YOU make a good executive better?"

Four companies in the Minneapolis area have evolved an answer that is worthy of study by managements contemplating their own programs for increasing executive effectiveness.

The program they developed after two years of testing and evaluation is unusual in that the firms concerned—Dayton's department stores, General Mills, Inc., Minneapolis-Honeywell Regulator Company and Northwest Bancorporation—are in entirely different lines of business.

This has proved to be a great asset.

Other advantages, of interest to medium-sized and small firms as well as to large corporations, include:

Economy—Management training can be costly. As in other ventures, a large-scale, efficient operation makes savings possible.

Program—Joint effort assures a course rich enough in content to achieve the desired objectives. At the same time it guarantees a sufficient number of par-

ticipants to provide a continuing program. This was important in the Minneapolis project because the course was intended primarily for senior managers.

Outlook—This factor overshadowed all others. Bringing together executives from different organizations provided not only a broader outlook on management problems but also supplied cross-fertilization of ideas that proved to be one of the most popular and enriching features of the course.

A vice president for employee relations at General Mills, Delbert F. Wright, says, "The association with other executives having similar responsibilities is extremely stimulating and helpful. It permits an exchange of views, both in the formal discussion periods and in informal conversations. Invariably a broader concept of management is developed."

Goodrich Lowry, president of Northwest Bancorporation, expresses his organization's view: "In the banking business, it has been traditional to train a man to be a banker; then, (continued on page 46)



Minneapolis-Honeywell's former research director, Finn J. Larson (now with the Army Department) . . .

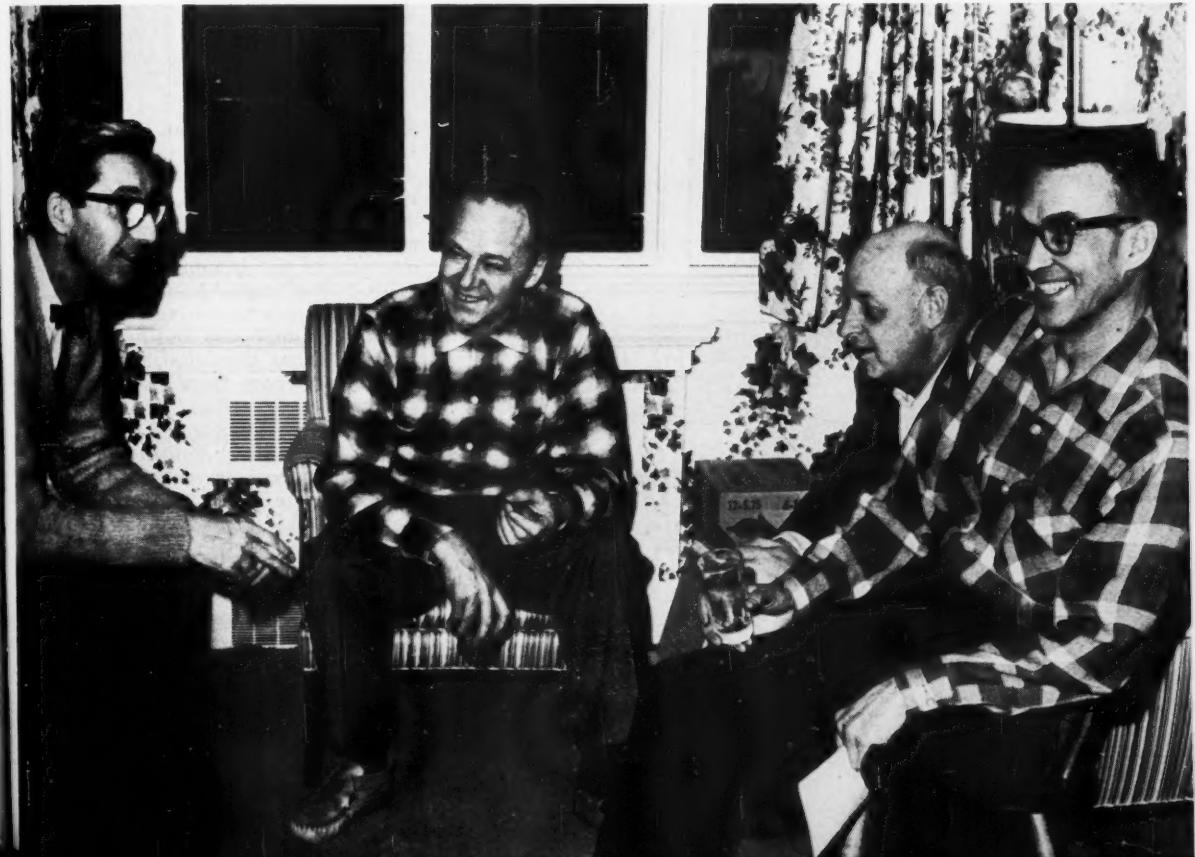


Northwestern National Bank vice president, Burns W. Swenson . . .



General Mills' grain merchandising manager, Walter H. Mills, Jr. . . .

... talk over the day's subject matter in an informal session at King's Wood, secluded estate 90 miles south of Minneapolis, where the four-company management course is held



HOW TO PICK POLITICAL WINNERS

Good government starts with good men in local offices. These steps will help you choose them

THE VOTE YOU CAST this fall can change your daily life.

It will affect how you will do business and how much it will cost; the kind of police protection you will have; the condition of your streets, water supply, sewers, traffic.

Long-range, what you do in these elections will affect the future of the country as well as your community.

Although the city, school district, county and state elections coming up this fall may lack the excitement, fanfare and pageantry of national campaigns, they carry a terrific impact. In 1960 local governments spent \$29 billion which had come from local citizens and businesses. This was \$2 billion more than state governments spent.

Equally important, says Sen. Ro-

man Lee Hruska, Republican from Nebraska and former chairman of the Board of County Commissioners in Omaha, "Local governments provide the foundation for our state and national governments. They are the recruiting ground for state and national officials. If we spawn the wrong kind of public officials below, we will pay the price in poor state and national governments." (About two thirds of the members of Congress held local or state office before going to Washington.)

Because those running for local offices are less known than candidates in national elections, the voter needs to take special care that he acts in the public interest when he casts his ballot.

Recent political scandals in New

York, Boston, Philadelphia and other cities point up the need for putting administration of local governments in competent and honest hands and for more vigilance in selecting and electing the right individuals to office.

How can you do this?

One of the first steps is to get good candidates to run. Then you won't have to choose between two undesirable candidates. Selection of candidates is usually left to political party leaders, but you can play a part in this if you join and work in a political party or make your wishes known to party leaders personally or through community organizations.

Your rejection of poor candidates at the polls can force the leaders to put up better candidates next time.

But your most important responsibility, as an individual, is to vote for good candidates when you step into the voting booth. Where local issues also are on the ballot, you need to understand them and support those which are in the best interests of the community.

Much has been written and done in recent years to get businessmen and others interested and active in politics. More than 100,000 businessmen in more than 1,600 communities have taken the U. S. Chamber of Commerce's Action Course in Practical Politics in the past two and a half years.

Citizens are urged to vote as a matter of civic responsibility. Get-out-the-vote drives are common. Equally important—though less emphasized—is voting intelligently.

"It is just as important to be informed as it is to vote," says Mrs. Robert J. Phillips, of St. Charles, Ill., president of the League of Women Voters. This organization of 1,130 local and 48 state Leagues



“This is just as big a political year as any”

specializes in informing voters on candidates and issues.

How do you size up a candidate? There are two things to look at:

► His personal qualifications for the office he seeks.

► Where he stands on the problems, needs and aspirations of your community.

Qualifications

Politicians and business and civic leaders active in politics who were interviewed by **NATION'S BUSINESS** list these personal qualities among many which voters should examine in a candidate:

Ability, honesty, courage, leadership, effectiveness, knowledge of the community and its problems, motivation for seeking the office, ability to work with people, experience in civic affairs.

Albert B. (Ab) Hermann, campaign director for the Republican National Committee, urges the voter to ask himself two questions:

“Does the candidate support a proper set of principles with which I agree?”

“Does he have the integrity to stand up and be counted on those principles—to stand up against lobbying groups—when the chips are down?”

As a politician whose job is to run candidates who can win, he has to consider the impact of television.

“Unfortunately, with TV, the best candidate may not emerge as well as others less qualified,” he says.

With this in mind, Mr. Hermann follows what he calls the Three-A formula for picking candidates to run. They must be attractive, articulate, aggressive. The voter, however, should not rely on these qualities alone.

Samuel C. Brightman, deputy chairman for public affairs of the Democratic National Committee, stresses that a voter should support the candidate who can get things done. “Politics doesn’t operate as a business where, when you make a decision, it is carried out,” he notes. “The public official must deal with people, accomplish by leadership as well as by authority.

“He must be able to communicate effectively, talk to people at all levels, so that he can take the lead and sell his program.”

This point is also emphasized by A. Hugh Forster of Armstrong Cork Company, a leader in his company’s program to encourage employees to

(continued on page 85)

That is the message AFL-CIO’s political arm, the Committee on Political Education, is sending to the organization’s 13 million members in an article written for publication in union magazines and newspapers this month.

The article is intended to spur registration drives by the unions and explains why COPE thinks local elections are important to union members. Excerpts follow:

WHAT'S A JUDGE TO US?

Ever hear of a labor injunction? Our people walking the bricks, carrying placards, handing out leaflets at the plant gates. Judge hands down the injunction for the company, clearing the streets. The scabs go through, your job is gone.

WHAT'S A SHERIFF?

Plenty of union men still remember the days of the Mohawk Valley Formula, when management threw everything it had at labor, including armed thugs.

Part of the formula was to have the sheriff deputize goons. It could happen again, so don’t forget the sheriff.

WHAT'S A CITY COUNCIL?

The courts say we have a constitutional right to picket. But if a city council passes an ordinance tying up handbill distribution, or making it disorderly conduct to walk more than two-and-two, it may take some time to throw it out of court.

Meanwhile a big strike can be lost.

...OR A LEGISLATURE?

Several states elect large number of legislators this year. At stake are workmen’s compensation, unemployment insurance, wage-and-hours laws, industrial safety, education, taxation, reapportionment bills, anti-picketing laws, antipolitics laws, and right-to-wreck [right-to-work] legislation.

It’s good to keep your eye on Congress, but watch out for the end run through the states. Keep your eyes open, get the vote out, and get our people registered now while there’s time.

Six steps to better planning

You will find this check list helpful

RESEARCH is now providing a better basis for improved business planning.

The techniques and pitfalls of planning have lately received attention from such organizations as the Stanford Research Institute, from management consultants and from thoughtful senior executives in some of the nation's largest firms. Several outstanding planning experts met recently at The George Washington University in Washington, D. C., to exchange ideas and clarify concepts.

Some practical suggestions have emerged from these studies. They by no means exhaust the subject, but you may find them useful as a check list in your own approach to planning.

Defining the task

Authorities agree that a crucial first step for every manager is to be clear in his own mind about what planning is—and isn't. The magic word has been used so loosely and has been applied to such a hodge-podge of activities that it needs to be rescued from the semantic wilderness. There is a popular tendency

to equate planning with forecasting and to look upon it as a device for eliminating the risk from business decisions.

It is much more than the former—and much less than the latter.

J. Peter Grace, Jr., president of W. R. Grace & Co., offers a good working definition: "Planning is forward thinking about courses of action, based upon a full understanding of all factors involved, and directed at specific objectives."

Two things should be noted about this definition.

First, it is built around action in the present. Also, it emphasizes the distinction between the noun, "a plan," and the verb, "to plan." Having "a plan"—in the sense of a static blueprint for future actions—can be disastrous in an ever changing business environment. True planning is a continuous process of anticipation and adjustment. It is something that managers do, and keep on doing.

Second, note that Mr. Grace says planning must be directed at specific objectives. A pilot cannot draw a flight plan until he knows his destination. A business organization

cannot plan intelligently until it decides where it is trying to go.

Setting objectives

Many companies today would define their long-range goal in the single word: growth. But this all-encompassing term is not an adequate guide to planning. It is easy to confuse growth with mere expansion. An expansion for its own sake is not a wise management objective. It can lead to a decrease, rather than an increase, in profitability.

One executive notes that a company's real goal should be "to make a profit by employing assets as effectively as possible to meet the needs and desires of customers."

The next step in planning is to translate the over-all goal of profitable growth into specific objectives which are ambitious enough to challenge the organization, but realistic enough to be attainable. One way of doing this is suggested by management consultant Bruce Payne:

"Begin with present products, appraising their future sales potentials and the hurdles to be taken. Next, look at possible future products and ideas for service. Then, analyze company strengths and weaknesses: manpower, finance, production know-how, marketing organization and the rest. Ask yourself, 'What are our potentials? What is the best we can do?'"

Even the most specific objectives remain little more than pious hopes until they are related to a timetable. To return to the analogy of a flight plan, you need to know not only your destination, but also your approximate take-off time and estimated time of arrival.

For example, a manufacturing company which is doing well in a regional market may decide that its objective is to triple sales and profits by going into national marketing.

Until top management answers the key question, "when?" there can be no real planning of the numerous dovetailed actions—such as expanding plant capacity, building a larger sales force, opening new distribution channels, launching a national advertising program—that are necessary to move toward that objective.

Time spans

There is, however, a vast difference between relating your objectives to a tentative timetable, and

trying to force your planning into arbitrary time-span molds. The whole planning process has been bedeviled in recent years by talk about long-range versus short-range planning. The question most often asked at management seminars and conferences on planning is "How far ahead should we plan? Five years? Ten years?"

One executive who has given a great deal of thought to this question is George L. Parkhurst, board chairman of Oronite Chemical Company. He has concluded that "a plan should not extend so far into the future that it can have no influence on near-term decisions.

"If a ten-year goal would have no influence on decisions made in the near future, the establishment of the ten-year goal becomes an intellectual exercise of no pragmatic value.

"The planning period could well be reduced to the maximum period which will influence decisions to be made, say, in the current year," he says.

"The proper planning period judged by this criterion may be two or three years, or as much as two or three decades, depending on circumstances."

Management authority Peter Drucker, thinking along similar lines, says that the time spans of planning are inherent "in the nature of the business and the nature of the decisions" which are being made. They vary widely from one type of business to another.

Let's take a couple of extreme examples to make the point clear. The planning unit for a product with a style factor may be one season. But a West Coast paper company which derives its raw materials from a sustained yield of Douglas firs must make decisions today on the planting of seedlings which will affect its operations decades in the future.

Within a given industry, the time dimensions of planning vary from one type of decision to another. An automobile manufacturer schedules daily production rates on the basis of the expected market during the next few months. But he must try to peek at least three years into the future in planning a new model. When he debates the commitment of vast capital resources to the building of a new assembly plant, he knows that his company will be

(continued on page 82)

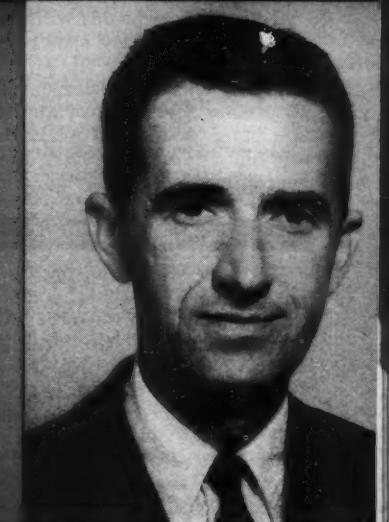
J. Peter Grace, Jr., Grace & Company, offers definition of planning:

"Planning is forward thinking about courses of action, based on a full understanding of all the factors involved and directed at an objective."



George L. Parkhurst, Oronite Chemical Company, sets limits on planning: "A plan should not extend so far into the future that it can have no influence on near-term decisions. The proper period depends on circumstances."

Prof. H. Edward Wrapp, of the Harvard Business School, sounds a warning: "Planners tend too easily to assume that enough management talent will be available, no matter how ambitious the expansion plans may be."



Chamber of Commerce of the United States

ously impair the economies of many primary raw material producing countries and hamper economic development programs.

Success in dealing with commodity problems, U. S. officials say, is more likely when several methods are used jointly.

The producing countries, for example, should seek to diversify their economies and shift resources into other activities to reduce—or at least not to expand—production of the commodities in oversupply. Advanced consuming countries need policies to expand consumption, lower trade barriers, and eliminate consumption taxes on primary commodities.

The United States is concerned both as a major importer of such primary commodities as coffee, cocoa and rubber—to cite only a few—and as an important exporter of others—such as wheat and cotton.

GOVERNMENT SPENDING

Although fiscal 1962 is a month old, Congress still has before it many of the 1962 appropriation bills. The slow-down in handling appropriations is explained by the attention the Congress is devoting to new and enlarged programs not included in the regular appropriation bills.

To enable the government agencies to meet their 1962 commitments, Congress has passed a resolution permitting them to maintain their 1961 program levels. The resolution is effective through the end of this month, which is interpreted as indicating the target for congressional adjournment.

Although action on appropriation bills has been limited, something of a pattern is emerging. Congress is likely to make some small over-all reductions in the bills before it.

However, many of the big spending proposals would be financed by backdoor spending, taking them out of the appropriation process. Although the Comptroller General has repeatedly objected to this practice, it remains an attractive device to proponents of controversial spending programs.

LABOR

When he invoked the Taft-Hartley Act's national emergency provisions in the maritime strike,

President Kennedy promised to recommend changes in the law.

The President dislikes the present measure which includes the 80-day injunction against work stoppages when the national interest is at stake. (The emergency provisions of Taft-Hartley have proved so successful that never in the 17 times they have been invoked has it been necessary to take the last step in the procedure contemplated—that is, refer the dispute to Congress for solution.) He believes he should have an arsenal of weapons with which to cope with labor disputes.

The President's recommended changes will be awaited with interest. Businessmen hope they will advance free collective bargaining and not embrace a system in which government steps in, settles the dispute, and leaves the parties with an agreement made for them by others. All suggestions hinted at to date leave much to be desired.

NATURAL RESOURCES

Interest is stirring in Congress for legislation to correct the morass of natural gas regulation.

The situation has been deteriorating ever since the U. S. Supreme Court ruled in 1954 that the Natural Gas Act authorized the Federal Power Commission to regulate the sales and prices of independent producers to the interstate pipelines. The FPC has been unable to find a formula to apply utility-type regulation to several thousand natural gas producers. Awareness is growing that unless the system is changed, shorter supplies and higher prices for natural gas will result.

Representative Oren Harris, Democrat of Arkansas, has introduced a bill which would: prohibit utility-type regulation of natural gas producers; establish the concept of treating producer's gas as a commodity; specify that a just and reasonable market price be established; exempt small producers from direct regulation; prohibit certain types of escalator price clauses; and prohibit pipeline companies from filing successive rate increases before an initial rate increase is acted upon by FPC.

The bill does not completely please any segment of the industry but it may be the basis for a compromise all affected interests can live with.

TAXATION

Barring early adjournment, it appears that Congress may complete action on a tax bill. If so, the legislation, over-all, may little resemble the President's proposals, although some of these may be accepted.

The investment tax-credit—key to the President's tax package—has not been accepted by industry or by the Ways and Means Committee.

A compromise proposal—involving a flat percentage credit on investments—is in the works, despite business objections to such a subsidy. The credit would mean a loss of government revenue equal to or greater than that of the original proposal. The Treasury still wants to offset the loss through measures already rejected by business.

Action may come on the bill of Louisiana Democratic Rep. Hale Boggs which would allow expenditures for legislative purposes as a business expense if they meet the "ordinary and necessary" test. A similar bill was unanimously reported by the Ways and Means Committee last year.

TRANSPORTATION

Awareness is growing that the air transportation industry is headed for serious trouble from foreign competition. Leaders in Congress and the executive agencies are alarmed. The Senate Commerce Committee has a resolution to study the matter.

The United States carriers' participation in international air traffic has declined steadily with even greater losses possible in the future.

A primary cause of this decline has been the government's liberal attitude in granting rights to foreign airlines. These rights have given foreign operators access to important United States cities, without gaining comparable benefits for the U. S. carriers. Foreign airline participation in international air traffic may pass the 50 per cent mark this year. A few years ago we were carrying two thirds.

At stake are the U. S. leadership position in this field, employees' jobs, the ability of the lines to continue acquiring modern jet equipment, and the well-being of the industry.

EXECUTIVES

continued from page 38

with no training whatever in management principles and practices, suddenly to ask him to take on a management job. As we see it, the four-company course helps bridge this gap and fills an important need in our business."

But before these results, among others, could be achieved, the program had to have a set of objectives.

Method helps nine ways

The task of defining the objective was undertaken by an advisory committee that included representatives from each of the companies. Although the firms operate in diverse areas—retail trade, food processing and distribution, manufacturing, and finance—the planning group found many points of common interest:

1. Men grow through self-development and this can be accelerated.

2. Job performance improves when a man acquires new knowledge, skills or attitudes, and practices them.

3. He will be a better manager if he knows management principles.

4. Long-term success is just as important as immediate profit—and these results are best assured by building good managers.

5. The goal of most development is greater profit and growth, and this is brought about by improving a man's performance and enlarging his potential.

6. A manager moves from specialist to generalist as he grows and rises in the organization.

7. Management is an organized, orderly, rational and conscious process of dealing with problems and changing situations. A man will be a better manager if he does these things intuitively.

8. More and more outside forces will impinge upon business and it will be increasingly important for a manager to be aware of the force and direction of these influences.

9. There are some basic personal skills required of the manager that only he can enlarge upon.

The advisory committee surveyed existing off-the-job advanced management programs. They found more than 50 being offered by colleges and universities. In addition, there are numerous seminars conducted regularly by various organizations and associations. Although many of these met the four companies' general criteria there were a number of drawbacks.

Distance from Minneapolis was an important one.

"We can't send all of our people to Harvard or some place that far away," said David Babcock, vice president of Dayton's and a member of the advisory board.

Moreover, no single school or seminar precisely met the criteria.

So the Four-Company Senior Management Course was born. The ideal physical setting was found a few hours drive from Minneapolis.

King's Wood, the 370-acre George A. Hormel estate at Austin, Minn., 90 miles to the south, is far enough away to prevent the men from running back for social and business appointments, yet close enough to hold travel time to a minimum.

Curriculum designed by experts

A more exacting problem was selection of a curriculum. Stanley C. Vallender, director of manpower planning at Honeywell and program director of the course, explains the reasoning:

"After all, this program is for men who have reached high positions in their firms. They don't need

Local and state elections are coming up this fall.

Turn to page 40 for guides on how to pick your candidates

training in fundamental skills. What they want are techniques and methods that will help them become even more effective."

The program committee turned for help to experts in executive training. One of these was Earl Brooks, professor of administration in the Graduate School of Business and Public Administration, Cornell University, now on leave as adviser on management development for the Ford Foundation in India. Another was George S. Odiorne, former assistant director of personnel administration at General Mills, now University of Michigan professor and director of the University's Bureau of Industrial Relations.

These men and the advisory committee designed the original course. This was not a rigid or inflexible curriculum. Suggestions from the companies, a canvass of the reac-

tions of participants, and a continuing critical evaluation of content all led to revisions.

One of the most important was to split up what had been set originally as the first 12 days of the course into two nonconsecutive weeks, with an interval of several months between them. It is a psychological fact that we learn better when given time to absorb newly acquired information.

The revised procedure also gave the executives an opportunity to put what they had learned into practice.

Later, the course was divided into four one-week units taken over an 18-month to three-year period. Certain basic skills, such as rapid reading and comprehension of printed material, are practiced throughout the program.

Today more than one executive who has taken all or some of the units says fervently, "I wish I'd learned some of these things years ago."

Actually, for many of the participants it is a matter of relearning skills they know but have either forgotten or failed to apply.

The first unit of the course, "Management in Perspective," not only defines the manager's job and his responsibilities but covers the external and internal forces that affect the executive.

Dr. Odiorne says it "points out that the manager is a generalist, has certain skills and tools, makes things happen, has a philosophy, and is a manager of situations."

Participants—24 to 26 at each session—work in study groups which are reformed each day to give every executive an opportunity to work at least once with each of the other men attending. They analyze case studies illustrating principles and techniques, and make reports that demonstrate important skills. They even do such unlikely things as acting in plays and engaging in literary criticism.

This is part of a study of the public image of business conducted by Dr. Odiorne. To the plant manager who says, "But I'm just an engineer," he replies, "That may be the route that got you to your present job, but when you run your company's branch in a certain city, to the people of that community you are Mr. Company himself."

To bring this point home, the group devotes part of one afternoon to playing a scene from a popular television play that portrays executives as heartless, ruthless men. A study of books and motion pictures

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EXECUTIVES

continued

further helps to emphasize the lecturer's contention that "a good executive image can be an important business asset."

Starting with breakfast at 6:45, the program continues with only coffee breaks and meals until as late as 10 most nights.

What subjects cover

The subjects that create this interest include the manager's responsibilities for profits; intracompany factors and outside influences—economic and manpower trends, inflation, recession, government policies—that affect profit-making ability. The sessions on the manager's responsibility deal with how new ideas are obtained and used, the impact of science and research on business, the use of advertising and marketing techniques, and what causes companies to grow. Management's responsibility as a trustee of the assets of the business for the stockholders is analyzed in terms of laws, government regulations and the public interest.

Finally, the unit deals with how the manager discharges his responsibilities through his people.

Each man is asked to review his own practices when he returns to take Unit II on "The Techniques of Management." This course studies employees as individuals, their differences and ability to understand. Case studies show how men learn, are motivated and adjust.

The manager's communication job is analyzed. Topics covered include: "Making Business Conversations Count"; "Developing Effective Presentations"; "Motivation in Organized Activities"; "Analysis of Potential and Promotability"; "Appraisal Methods"; and, "Planning and Conducting Effective Meetings."

These basic principles and the practical means of enlarging the capacities of people are applied in the third unit of the course, "Practicing Administrative Techniques." This is based on a simulation program created by Kepner, Tregoe and Associates, Inc., management consultants.

The participants, divided into four-man executive teams, are given a series of problems which become more complex each day. Every man on the team receives a kit containing departmental memos, correspondence, notes on telephone conversations, and charts, all relating

to the "Apex Company." If the team is successful in pooling and integrating all this information and subjecting it to logical analysis, the solution of the problem emerges.

The purpose of the exercise is to develop the ability to extract pertinent information, to specify the problem the company faces, and reach a logical conclusion as to the cause of the trouble and its solution. Only one logical solution is possible to each day's problem.

Office conditions are approximated. After a briefing, the men go to individual rooms to study their materials. They communicate by telephone, as they would in normal business practice, until they feel a conference is justified.

Rotating the jobs in the fictitious company puts each man in a different executive position each day.

Typically, only a small proportion of the participants come up with the correct solution. As a result, the first day or two of the exercise can be a shattering experience. Many an executive has echoed the sentiments of one man who remarked, "This gave my ego a jolt. After 20 years on the job I thought I had all the answers."

The instructors, Charles Kepner and Benjamin Tregoe, Jr., monitor telephone calls and observe conferences. Later they point out where proper practice was observed or where incorrect techniques led a group astray.

This feed-back, unlike the usual business situation, occurs at once and shows the men their mistakes while the problem is still fresh in their minds. They can see where they failed to apply the proper skills and procedures.

The problems are carefully selected examples of actual business situations. Consequently, this game produces immediate results. The participants tend to become more thoughtful in their approach to management as the week progresses.

Objective: Self-understanding

The final week, "Sensitivity Training," is aimed at giving a man insight into himself and into interpersonal relationships.

The unit leaders, Gilbert David and Kenneth H. Recknagel, are conference directors of the American Management Association Course in Executive Action. They are associated as well with the Leadership Workshop at Auburn, Mass. Participants are organized into developmental groups and skill sessions cover such topics as "Creating Atmosphere," "Interviewing Skills,"

"Dynamics of Communication," and "Personal Effectiveness."

The participants may begin by discussing any problem that occurs to them. The leader observes and interposes a comment or question now and then. Through group interaction the individual learns how he appears to other people.

One executive realized that he tended to overawe his subordinates, never really drawing out any useful ideas they might have. Another found, on reflection, that his production manager often failed to give him accurate reports because he tended to blame the man unjustly for everything that went wrong. The lack of communication greatly impaired his effectiveness.

It is inevitable perhaps that some participants react unfavorably to the spontaneous sessions. Recognizing this, the four-company advisory committee has not insisted that Unit IV be compulsory.

What has been the over-all effect of the course on participants? This is an important question for the businessman who is concerned with executive training and is asking himself: "What will my company get out of it?"

A precise assessment, program director Vallender admits, is not possible when dealing with men who were highly successful before attending. "But the real proof," he adds, "is the fact that almost without exception the senior executives who have attended have nominated their subordinates for future attendance."

The evaluations given by the participants themselves are favorable.

Norman K. Smith, assistant to the president of Honeywell Controls, Ltd., Toronto, Canada, reported benefits in improved communication. Under the stimulus of the course he made a point of drawing out the men working under him. He surprised one departmental manager by asking, "What will your job be two years from now?"

"I never gave it a thought," the man admitted. Then he added, "I didn't realize management wanted me to think along those lines—or even cared about my ideas."

Howard L. Ross, director of operations for General Mills' feed division, discovered that he was able to think out several problems that had been on his mind for weeks before he attended the course. He cannot pinpoint just what brought about the solution but, he says, "somewhere along the line the gears meshed."

A member of the four-company



EVEN SANTA'S BUSINESS SUFFERS WHEN STREETS ARE ICY!

Bare pavements mean good business for everybody! But icy streets and sidewalks hinder traffic and annoy drivers and pedestrians so much that many people simply won't, or can't, drive to shop. Icy, snow-clogged streets and sidewalks are dangerous; they slow down deliveries, police, fire and medical calls, stall vital city services; they cost everybody money, and some people their lives.

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Sand, cinders and abrasives do nothing to remove dangerous ice and packed snow. They are easily dispersed by wind and traffic, and leave rutted, gritty pavements and clogged sewers and drains.

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EXECUTIVES

continued

advisory committee, Elmer R. John, director of the personnel services department at General Mills, surveyed executives from his firm who have taken the course and reports that not only the participants but at times even their subordinates have high praise for improved intra-departmental communication and effectiveness.

While it is difficult to fix the cash value of these results, Mr. Vallender reflects the conclusion of the four companies when he states, "One man going back and performing better can pay for the whole course for all the men taking it."

Within his own firm, Minneapolis-Honeywell, one regional manager may have done just that.

Louis F. Westra, regional manager in Long Island City of the Military Products Group, reported that as a result of the course he was able to take a long-range view of his operation. Stimulated by the program and by contact with other executives, he analyzed his problem.

For years he had concentrated on sales to aircraft plants. His volume had increased tenfold over some 15 years. But his staff and overhead had grown, too. He had to keep them operating at optimum efficiency in the face of the wide cyclical fluctuations of a highly volatile industry.

"I looked to see where the money was," Mr. Westra sums up.

Using the analytical techniques emphasized by the course he saw that the money lay with the government agencies operating in his area—scientific laboratories, arsenals, signal corps installations and others. He followed through on his findings.

Today his sales chart is usually within the range of plus or minus 10 per cent at its points of greatest fluctuation. The result is better and more economical service to both old and new customers.

Such a clear-cut example of benefit from the program is exceptional, of course. The participating companies do not expect results to manifest themselves in such direct ways. This is clearly impossible in the case of most men taking the course. Nor is the course expected to supply specific solutions.

"No problems are solved here," Mr. Vallender says of the program. "But you get people thinking about their problems constructively."

—JAMES VLAMOS



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Are hoods on the way out?

You see more and more trucks without them these days.

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Or has elbow room for big boxy objects? (170 cubic feet—there's enough room for a baby elephant.)

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in the snow. You hardly ever see a VW stuck.)

The engine's air-cooled. No water to freeze or boil over. No anti-freeze.

And gas—almost everybody gets over 20 miles a gallon.

A few even get 30.

And you're still pushing a hood around.

For heaven's sake.



Import foes would cut Kennedy's power

Shifting economic factors increase opposition to Trade Act extension

OPPOSING FORCES are digging in for what promises to be the toughest congressional battle of 1962.

It will be over the United States foreign trade policy—specifically whether Congress should extend the Reciprocal Trade Agreements Act under which the President negotiates with other countries for mutual reduction of barriers to imports.

On one side are those who claim that new tariff-cutting trade agreements are needed to keep American industry healthy and the free world strong. Generally speaking, they include the mass production industries and, with some reservations, the national hierarchy of organized labor.

On the other side are those who claim the trade agreements have done grievous harm to American industry and labor and that, rather than new agreements, the national welfare demands higher tariffs and, in some cases, quotas to control imports. Generally speaking, these forces include craft industries with high labor costs and unions whose members work in those industries.

Caught in the middle at the moment are President Kennedy and his advisers. They favor less restrictive trade policies, although they concede that there should be federal help for industries injured by trade concessions. Their problem

is how to devise a trade agreement extension and engineer it through Congress.

Reciprocal trade battles aren't new to Congress. Each time the law has been renewed in recent years the fight has been rough. But there are clear warning signs that the 1962 battle will make those of the past look like mere skirmishes. For example:

► Low-priced imports from European and Asian plants modernized after World War II, the recent economic recession, the balance of payments difficulties and similar developments in this country are providing a climate favorable to protectionists.

► Southern congressmen from textile areas, who previously have gone along with the trade program, now are warning that they've reached the end of the road unless the Administration comes quickly to the rescue of the import-hit textile industry.

► Although the AFL-CIO national high command still goes along with the program, a number of member unions are feeling import competition and swinging over to the protectionist side.

Developments such as these have made the Administration so gunshy that it is likely to seek only a

short-term extension and modest additional tariff-cutting powers.

How the issue started

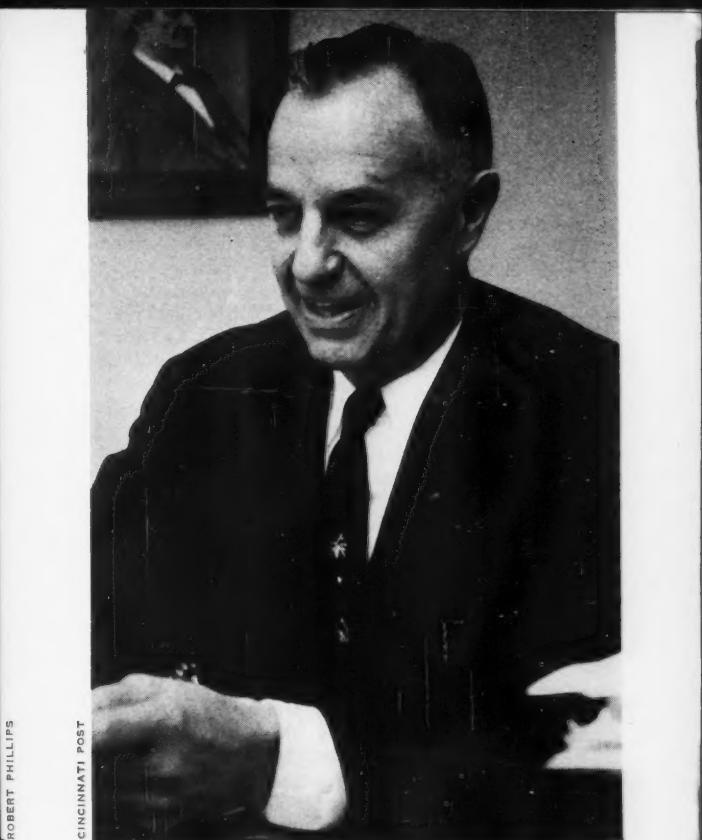
Just what is reciprocal trade, the cause of all the furor?

Back in 1934, in the depths of the depression, Franklin D. Roosevelt's Administration decided that a step-up in exports would help stimulate the economy. The high tariffs of the early 1930's had helped cut imports from an average of \$4 billion a year to \$1.4 billion, but exports had also dropped from \$4.6 billion to \$1.6 billion. Under the prodding of Secretary of State Cordell Hull, and after bitter debate within the Administration, Congress passed the Trade Agreements Act, giving the President authority to negotiate agreements cutting the 1930 Smoot-Hawley tariffs by as much as one half in return for tariff concessions by other countries.

After several extensions of that 1934 law the tariff-cutting authority it provided was almost exhausted, and in 1945 Congress authorized new cuts of 50 per cent of the then-existing rates. In 1955, after several more extensions, the Eisenhower Administration asked for and—after a stiff fight—got an extension which included authority to cut existing rates by as much as five per cent a year for three years. The most re-



Oscar Strackbein's goal is to put teeth in the escape clause



Charles Taft speaks for group seeking a liberal trade policy

cent extension, in 1958, was for four years, ending June 30, 1962. It included authority for additional cuts of up to 20 per cent under a complicated set of rules.

The 1945 extension, coming when the war-shattered industries of Western Europe and Japan provided little competition for the American industrial plant, was the high-water mark of trade barrier relaxation. As foreign industry revived and shipments to the United States increased, extensions became increasingly hard-fought and included special devices to protect industries claiming injury from foreign competition.

One notable restriction was the "peril point" provision inserted in 1948 when the Republicans controlled Congress for the first time in many years. It was removed by the Democratic Congress in 1949 but put back by another Democratic Congress in 1951. It directs the U.S. Tariff Commission to study each new tariff cut the Administration might be considering in trade negotiations and advise the President on how much reduction can be made without hurting domestic producers.

The President can ignore the Commission's advice and cut tariffs below these peril points, but if he does he must tell Congress why.

In 1951 another protective device was inserted. It was the escape clause, which requires the Tariff Commission to investigate industry claims of injury resulting or expected from duty cuts in existence. As early as 1942 President Roosevelt had included an escape clause in a trade pact with Mexico, permitting either country to suspend or modify any concession if unforeseen circumstances threatened serious injury to a domestic producer. President Roosevelt promised Congress that all future trade agreements would have such a clause, and in 1947 President Truman put this policy into an Executive Order.

Congress decided in 1951 that it should be a matter of law, and voted a provision stating that the Commission, after investigation, can recommend tariff changes or protection in the form of import quotas. The President can approve, disapprove or modify the recommendation but, again, he must explain his decision to Congress if it differs

from the Commission's findings. Finally, in 1955, came another major restriction—the so-called "national security clause."

This says that, whenever the Director of Defense Mobilization has reason to believe imports of an item "threaten to impair the national security," he shall advise the President. The President then can, if he agrees, "take such action as he deems necessary to adjust the imports . . . to a level that will not threaten to impair the national security." In other words, he may impose quotas or take any other step that will choke the imports of the item in question.

These protective measures provide eloquent testimony to the increasingly rough time that lowering of trade barriers has had in Congress. Equally significant have been votes on the extension bills. They have shown a changing party and geographic pattern.

In the old days it was accepted that most Democrats, especially those from the cotton-exporting South, favored the trade program. Republicans were assumed to favor protection. But recently this has

IMPORTS

continued

not been the case. More and more Democrats—particularly those in the new textile manufacturing areas of the South—have been swinging over to the protectionist side and supporters of the trade program must increasingly seek Republican votes.

In 1945, 204 Democrats, seven Republicans and one American Labor party member joined to defeat—212 to 181—a key protectionist move, a motion to send the bill back to committee for highly protective amendments. Ten years later, in 1955, when a similar recommitment move was made, the Democrats could muster only 140 votes but the Republicans came up with 66 to defeat the motion 206 to 199. In 1958, when a recommitment motion was more easily defeated, 268 to 146, the proportion again changed, with Democrats casting 160 votes on the winning side and Republicans 108.

These figures point to a crucial question for the Kennedy Administration: How many of the 1955 and 1958 Republican votes were behind the program solely because it had been endorsed by a Republican President? If Democrat Kennedy is likely to lose a number of these Republican votes, he must somehow win back a number of the southerners and prevent new defections within his own party.

That promises to be no easy task. The mood of the southern bloc can be sampled by dipping into the *Congressional Record* of April 18. For 48 of those small-print pages southern members of the House, with an occasional assist from New Englanders and westerners, emphasized the need for trade restrictions to protect American industry. They were mainly concerned with the impact of imports on the textile and garment industries, but lamb, carpets, minerals and other items came in for sympathetic mention.

The southern tone was set by Rep. Carl Vinson of Georgia, a man of high standing and power in the House. Citing the increase in recent years in imports of cotton yarns and textiles, man-made fiber fabrics, wool cloth and finished garments, first from Japan, then from Hong Kong and other areas, he warned:

"I caution each member of this House that, if the import and production trends of recent years continue unchecked at current rates, the entire domestic textile industry will virtually be displaced by the end of the present decade. . . . Un-

less quotas are imposed that will provide the necessary protection to the textile industry of the United States I think I can safely predict that at least some of the members who voted to extend the Reciprocal Trade Agreements Act in 1958 will have second thoughts if a bill to extend the Act is presented on the floor in 1962."

In answer to this sort of implied threat and heavy direct pressure from industry and members of Congress, President Kennedy on May 2 announced a seven-point program of assistance to the textile industry. He promised to call a conference of foreign producing nations to study

under the national security clause. This action virtually guaranteed that the Administration would have to act on the bid for quotas before the Trade Act comes up for a vote next year. What it does—and whether anything it can do will satisfy the southerners—will have a major impact on the fate of the Act.

The Administration also has been cracking down on countries which have been lagging on commitments to liberalize their treatment of American products. Members of Congress, reacting to complaints from constituents, had complained that some countries had been nullifying trade concessions by putting limits on imports of certain American items, particularly canned goods.

Still another Administration move is a proposed program of "trade adjustment" which would provide federal assistance to help industries hit by a trade agreement get back on their feet by diversifying their production or shifting to new products. In May the President promised to put a specific program of this nature before Congress soon.

At the same time, the President—and certainly his State Department advisers—seem committed to doing what they can to continue the trade program. At one press conference, commenting on the meeting of a protectionist group, Mr. Kennedy said: "I hope they will consider the whole problem of trade. I do think we should realize that the balance of trade has been in our favor, and the gold flow would have been substantially worse if we had not had this favorable balance of trade." (In 1960 American exports reached a record high of \$19.6 billion while imports dropped slightly to \$14.7 billion. The \$4.9 billion export surplus was four times that of 1959.)

At a later press conference, expressing the hope that two unions would not go through with plans to refuse to handle some Japanese-made items, Mr. Kennedy said he recognized that "these workers are hard hit, but they are not always able to make a judgment of what the national need is and also the need internationally. . . . Two can play this game. Unions in other countries can refuse to unload our goods. Pretty soon we will find ourselves with a serious situation among friendly nations. . . ."

Supporters of both sides are increasingly busy as the crucial vote approaches.

Among backers of a liberal trade policy is the Committee for a National Trade Policy, a bipartisan organization supported by business

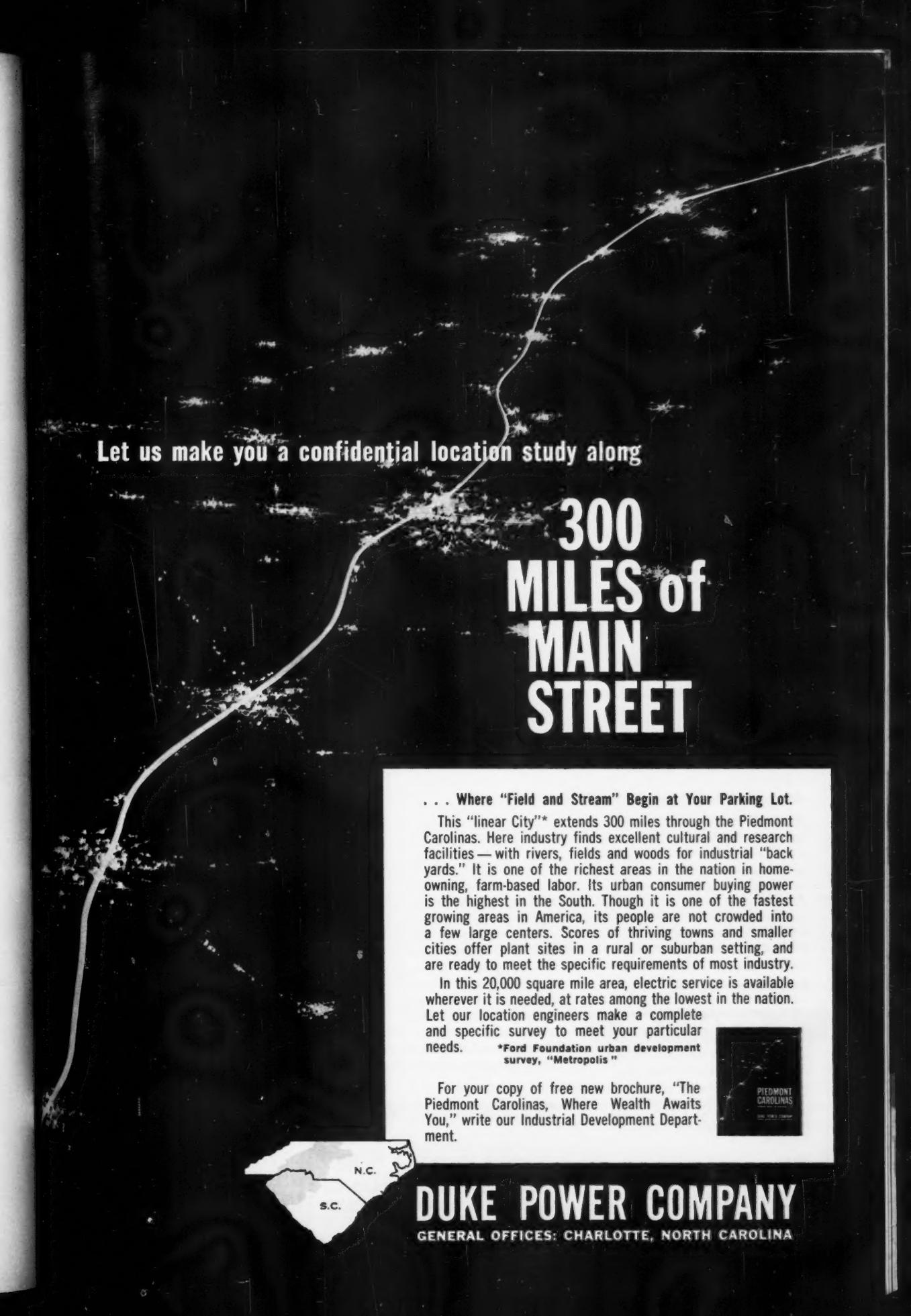
"To assure maximum economic health and growth, the United States requires a growing export and import trade. This trade depends, among other things, upon strengthening the competitive position of U. S. products.

"Domestic matters have a strong influence on the competitive position of this country's products in foreign markets. The cost-increasing effects of price supports and high taxes limit growth potential and affect competitive pricing in world markets. It is essential that in formulating domestic policy the ultimate impact on the U. S. trade and payments position be considered."

—United States Chamber of Commerce

possible voluntary limits on shipments to the United States, provide for new machinery to give some cotton price subsidy and other aids.

On the demand for import quotas, the President was vague. He said an industry application for relief "will be carefully considered on its merits." Industry officials couldn't agree whether this was satisfactory. In any event, less than two weeks after the announcement the industry applied to the Office of Civil and Defense Mobilization for relief



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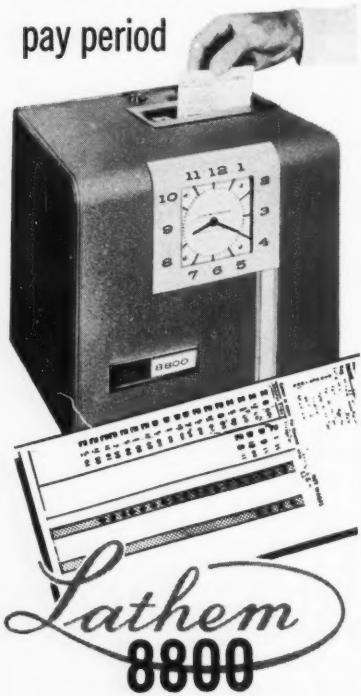
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IMPORTS

continued

men and industrialists who feel "the reduction of trade barriers on a reciprocal basis and the expansion of world trade are essential to the prosperity and security of the United States and the whole free world." Charles P. Taft, son of the late President and brother of the late senator, is its Washington spokesman.

The CNTP argues that, with the formation of big international trading blocs such as the European Economic Community, there is a pressing need for machinery that will permit a further reduction of tariffs. Rather than restrict the President it would give him enough authority to "preserve a unified free world multilateral trading system and to prevent its fragmentation into regional trading blocs mutually exclusive and inwardly oriented."

The Committee argues that the item-by-item selective method of tariff negotiation has become obsolete. The foreign regional groups, it notes, have adopted an across-the-board system of reduction and "it is a logical development to extend this process to negotiations between the blocs and the United States."

The Committee takes some heart from a Senate Commerce Committee staff report urging a broadly liberalized trade program and declaring that "restrictions on imports should be the last rather than the first remedy" when import competition poses a threat. The report—like the CNTP—favors government action, such as a trade adjustment program, to help industries which face injury from import competition.

Job loss from imports

The trade program backers also are heartened by a recent Brookings Institution study which estimates that a \$1 billion increase in imports would mean unemployment for only 115,000 workers—less than one twentieth of the drop in employment in each postwar recession.

To cause even a one per cent drop in total employment, the study says, imports displacing domestic

output would have to increase by more than \$7 billion, a sum that "exceeds by many times the increase in imports contemplated by any measure that has been officially proposed or that is possible under the present Trade Agreements Act." It concludes that if the nation achieves proper economic growth, "the effect of import liberalization on the level of employment cannot be significant for the economy as a whole."

Most vociferous spokesman for protectionism in Washington is Oscar Strackbein and his Nation-Wide Committee of Industry, Agriculture and Labor on Import-Export Policy.

Mr. Strackbein says he is not interested in merely killing the Trade Agreement Act. That, he points out, would leave in effect the agreements now on the books and would provide no help for industries hit by those agreements.

What he wants to do is put some teeth in the escape clause so that the Tariff Commission can roll back trade concessions where it finds they are doing harm. He notes that in the past 27 months only one out of 24 escape clause cases has resulted in corrective action—and that, he declares, "is as close to nullification as you can come."

"What we seek," says Mr. Strackbein, is "to restrict the discretion of the President to override the Tariff Commission." The Commission, he argues, is the creature of Congress, so it is "unconstitutional meddling" for the President to overturn Commission escape clause findings. Because a President is likely to appoint people sympathetic to his views to such bodies as the Tariff Commission, Mr. Strackbein also favors legislation to spell out more specifically just what constitutes injury to an industry in an escape clause case—in effect, tightening the rules under which the Commission operates.

The Trade Relations Council, another organization favoring protection, takes a slightly more moderate approach to the trade battle. The Council argues that reciprocal trade has not worked to the benefit of the United States as it was intended to and that a complete overhaul of the program is needed. It would place more emphasis on the use of quotas to protect high-labor-cost industries which are finding it difficult to compete against imports from countries where wages are very low.

The protectionists seem to be gaining strength both in the House

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Ways and Means Committee, where extension legislation must originate, in the House itself, where the crucial votes always occur, and even in the Senate.

Mood of the House

Appraising the temper of the House, one supporter of the trade program said recently that he expected all ten Republicans on the Ways and Means Committee to vote on the protectionist side and that he knew of no more than five Democratic votes on the 25-man committee that his side could count on.

As for the House itself, he reported a preliminary rundown of the 437 members showed 220 likely to be in the opposition—enough to defeat an extension bill. This 220, he said, included 103 who voted against reciprocal trade in 1958, 18 others who have put their names on protectionist bills and 99 who have made protectionist speeches.

Another sign of growing protectionist strength was that as of mid-May, 56 congressmen had introduced resolutions declaring it to be the sense of Congress that no further reductions in tariffs be negotiated under the present law. Last year there were 44 such resolutions.

Finally, Rep. James E. Van Zandt of Pennsylvania has mustered some support for a bill to restrict the President's power in escape clause cases. The bill would require the President to put into effect all Tariff Commission findings that did no more than restore tariffs to what they had been before being cut under trade agreements.

Thus if a rate had been reduced from 40 per cent to 20 per cent and the Commission, on a finding of serious injury to a producer or a threat of such injury, proposed to restore the rate to 40 per cent, the President would have to obey. If the Commission should recommend an increase beyond the pre-agreement rate—say 50 per cent—the President could refuse to impose the excess amount of duty.

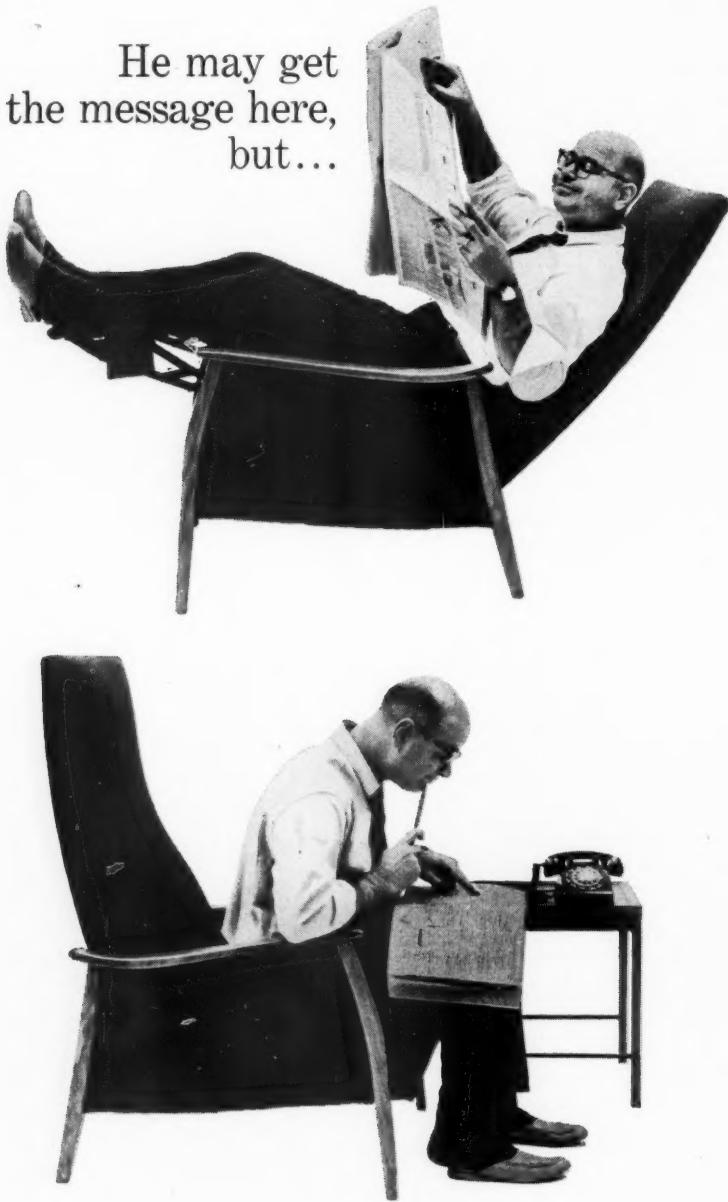
Whether the apparent protectionist trend on Capitol Hill will be sufficient to turn back a reciprocal trade bill for the first time in 28 years remains to be seen. Counter forces will be the economic recovery, the leadership and political strength provided by the Administration and the determination of the program's supporters. At the moment neither side has a clear-cut advantage and just one thing is certain: The battle of the decade is in the making.—CHARLES B. SEIB



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SPECIAL
LETTER

NATION'S BUSINESS EDITORS REPORT ON: flooded Frontier

FLOOD OF NEW FRONTIER LEGISLATION puts severe strain on congressional machinery.

White House reports it has sent nearly 40 important bills to Congress. More than half have been passed by Senate and House and signed by the President. Total of legislative requests by President Kennedy stretches far beyond this.

* * *

GROWING TENDENCY of federal government to expand into nearly every part of American life is powerful force behind legislative jam-up. Each year sees more proposals to centralize education and welfare functions formerly handled by states; more proposals to regulate business, set wages and prices. New Frontier offers opportunity for enactment of measures held back in past eight years by threat of Eisenhower veto.

As central government touches more people, efforts to influence Congress grow. Each new group affected by federal law gets in touch with senators and representatives, sends witnesses to committee hearings.

* * *

STRAIN ON CONGRESS shows up in number of ways. More committee and subcommittee meetings are scheduled to consider bills. Morning hearings run over into afternoon, when houses are in session. More afternoon--and some evening--hearings are held. More legislators rush from committee meetings to vote on bills they haven't heard argued on floor.

Senators and representatives find themselves trying to be at more than one hearing at same time. More witnesses find their testimony being heard by only one or two committee members; others must be elsewhere because of press of business.

More witnesses encounter requests from committees to limit their oral testimony to speed hearings. More committees encourage witnesses only to file statement and not testify. Witnesses heard by House Ways and Means

SPECIAL LETTER: FLOODED FRONTIER

Committee on Administration tax proposals had further problem: Bill had not been written and testimony could be directed only to general points outlined in President's tax message.

* * *

IS THIS a new situation? No. Problem has been growing for some time, but efforts of Kennedy Administration to push large amount of legislation through Congress in first session have aggravated it.

Here is level to which legislative load has grown. In first six months of this session, 2,507 bills and resolutions were introduced in Senate and 488 were passed. Total of 9,173 measures were introduced in House; 597 passed. Committee and subcommittee meetings are reaching peaks of more than 35 in one day.

* * *

WHAT DOES this do to average legislator? Let's look at what happened to Rep. Charles E. Goodell, New York Republican, one morning. Representative Goodell found he was scheduled to be in nine different places at same time. He was due at meetings of three subcommittees of House Education and Labor Committee and one subcommittee of House Administration Committee. Five additional appointments had been made before committee meetings were set.

What did Representative Goodell do? He went to meeting of Special Subcommittee on Education, broke away early and spent rest of the morning at Administration Committee's Subcommittee on Elections. Missed other subcommittee sessions and postponed or canceled other appointments. Testimony at missed subcommittee hearings had to be read later in transcript.

* * *

LEGISLATIVE JAM is most evident in committees handling important parts of Administration program. These are committees which handle many measures of vital interest to businessmen. Situation in House Committee on Education and Labor leads veteran House staff member to say he hasn't seen anything like it in 30 years. Nine subcommittees are meeting--sometimes as many as six at same time--where in past three or four did the job. Senate Labor and Public Welfare Committee is loaded down with same bills. Other committees finding unusually heavy going include House Ways and Means, Government Operations in both houses, Senate Foreign Relations.

Situation is sure to get worse before Congress adjourns.

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Four-way formula is aimed at better management of Pentagon

DEFENSE SECRETARY Robert S. McNamara is putting the Pentagon in better fighting trim.

The 44-year-old former president of Ford Motor Company played a key role in planning the buildup to meet the Berlin crisis and future communist threats. At the same time, however, he has made notable progress toward putting the Pentagon on a more sound basis. He plans many more changes—partially to offset the emergency expenses.

The results will be important to all American taxpayers, and to businessmen in particular. Few companies are not affected directly or indirectly by Defense Department activities.

No one doubts the need for improved management of the nation's \$43-billion-a-year military establishment. The House Appropriations Committee, in approving funds for the new fiscal year, reported that "achieving proper management of defense programs has been a major problem and waste continues."

However, it added: "Some progress in improving the situation has been made in recent years and it is believed that efforts toward continued improvement will be pursued vigorously by the new Secretary."

Mr. McNamara agrees that there is "a real need for more intensive efforts to reduce the costs of our defense programs."

Under his formula for better management:

- Decision-making will move more swiftly, with civilian leaders in firmer control than military men.
- The creaky organizational structure of the Defense Department will be steadily streamlined.
- Less promising weapons and obsolete bases will be weeded out.
- Military budgets will be revamped to assess costs

of alternate weapons; less dependence will be placed on rival claims of the various services for pet projects.

These changes are based on three principles:

1. U. S. military capacity must be greater than it is.
2. With intelligent planning and firm decision-making, this can be accomplished "with a minimum increase in the cost of national defense."
3. "We must find ways to reduce the impact of these decisions on the American economy."

Swifter decision-making

In the past, it has taken many months, even years, for the Pentagon to resolve some issues. Each service prepared elaborate position papers outlining its point of view. Those opposed to a proposal dragged their feet as long as possible. Decisions sometimes were delayed further by setting up study groups, often with a built-in self-interest.

The Appropriations Committee noted, for example, that an Air Force board studying requirements for rated officers "was composed exclusively of rated officers. A study of the need for a civilian rifle practice program (sponsored by the Army) was conducted by a group of Army officers."

Studies of military problems have not stopped. In fact, Mr. McNamara has ordered some 150 new ones. But deadlines are a few weeks for most reports, a few months for complex, long-range analyses.

Furthermore, the new Secretary acts soon after receiving the reports. Those who work with him say he shows unusual ability to absorb and understand facts—and to ignore emotional arguments. Once he has made a decision, he directs the military services to carry it out, rather than asking their opinion of it.

Civilian officials, rather than military men, are in-



GEORGE TAMES

Secretary McNamara and the President discuss defense reorganization

creasingly gaining authority at the Pentagon. The Secretary prefers civilian advice because uniformed officials often tend to be overzealous advocates of their particular branch of service. Among the more influential new civilian officials are Roswell Gilpatric, a New York attorney with experience as Air Force undersecretary, who now serves as deputy defense secretary, and Charles J. Hitch, former Rand Corporation economist, who is defense comptroller.

Moreover, Mr. McNamara is determined that the civilian Defense Secretary—not military officers—must truly be in charge of the Pentagon. Thus, he plans to assert his authority strongly to preserve the American tradition of strict civilian control over the military professionals.

He does, of course, seek the advice of his military Joint Chiefs of Staff, and publicly defended them after criticism of the way they handled the Cuban invasion attempt. While preferring to make firm choices, Mr. McNamara attempts to provide insurance against a decision that could prove unwise later.

Streamline the structure

As an example, he proposes to build facilities for doubling production of the Minuteman in case that capacity is needed later. The additional cost is relatively small. To increase production capacity swiftly later would be much more expensive.

Exercising his legal authority under existing legis-

lation, the Secretary is steadily overhauling the Pentagon's organizational structure. Present laws permit many management improvements, ranging from greater centralization of procurement to merging combat functions of rival military services.

Mr. McNamara says: "We should do everything we can to streamline the decision-making process, to avoid duplication, to eliminate waste, and to strengthen the lines of authority and responsibility. This we are doing daily as opportunity presents itself."

Already, costly duplication has been eliminated by ordering the Air Force to perform all further military space development work. This will replace separate efforts by the Army, Navy and Air Force.

Mr. Gilpatric pinpoints another area where improvement is needed:

"We feel much more can undoubtedly be done in the interests of effectiveness, economy, and efficiency to consolidate supply and service activities common to more than one military department."

The Pentagon recently assigned responsibility for purchase of non-military supply items to the General Services Administration, which buys most federal government supplies.

This will relieve the Defense Department of purchasing such nondefense items as hand tools, hardware, paint and office furniture.

From now on, the Military Petroleum Supply Agency will store, distribute and control inventories

DEFENSE OVERHAUL

continued

of packaged petroleum products for all the military services. The organization already buys such products for all branches of the military. By further unifying defense petroleum operations, officials say, the government will reduce distributing depots from 18 to fewer than ten, and ultimately realize savings through closer inventory control.

Other potential reorganization moves include merging the separate intelligence units of the services and combining the top tactical forces of the Army and Air Force for better coordination of small war activities.

How such savings might be best accomplished is the subject of Project 100—one of the most significant Defense Department studies. General Counsel Cyrus R. Vance was directed to consider whether the so-called single manager procurement system is working and should be broadened or whether a separate procurement service should be set up, either under one of the military branches, or under the Defense Secretary, as suggested by the Hoover Commission in 1955.

Under the single manager system, one military service buys and handles a specific commodity for all the services. The idea is to eliminate the need for men doing the same thing in each department. While some progress has been made with this system, it has been criticized as a patchwork effort to correct a situation when the basic structure actually needs correcting.

To get more procurement value for taxpayers' dollars under the present system, defense officials now are planning to make better use of the profit motive. "I believe we have not allowed enough scope for it in procurement policies," asserts Mr. McNamara.

Officials hope to work out a practical system for rewarding good performance of private contractors through greater profit incentives. Likewise, they plan to penalize substandard performance through a possible reduction in profits.

One way the Pentagon may harness the profit motive, according to Thomas D. Morris, Assistant Secretary for Installations and Logistics: A contractor and the government would agree to let a carefully selected board of outside experts judge the company's performance on a given project.

"After completion of the work,"

explains Mr. Morris, "this board would determine the fee to be allowed, based on the total contractor's over-all performance as well as the quality and reliability of the product." The Pentagon also plans to put greater stress on obtaining more reliable cost estimates from contractors to reduce engineering changes made after an item has entered production.

Dropping weapons and bases

The new defense leaders have already eliminated or drastically reduced spending on several weapons whose worth has been debated for years.

Examples include the experimental nuclear aircraft, which Mr. McNamara insists "would have had little or no military value"; the B-70 bomber, and mobile railroad launching pads for Minuteman missiles.

After years of inaction, the Pentagon appears willing to curtail or close military installations that are considered no longer essential. Plans for discontinuing or reducing operations at 73 bases and installations have already been announced. Mr. McNamara is credited with a shrewd political move in lumping such a large number. Congressmen who would have felt obliged to fight the closing of an installation in their district if it were one of a few closed find their arguments weakened when the closing is merely one in a major realignment.

Cuts and shutdowns of the 73 facilities will cost about \$50 million over the next three years, but may save taxpayers about \$220 million in annual operating costs thereafter. Sale of some of these units will also bring money into the Treasury and release real estate for more productive activities.

Defense policymakers are now reviewing the entire roster of 6,700 military installations in search of others that should be curtailed or closed.

To soften the economic impact of such moves on localities where the bases are located, the Defense Department has organized a special unit of community advisers in the office of the Assistant Secretary for Installations and Logistics.

"The help that we can offer includes finding jobs for displaced government employees in other installations, arranging for surveys of business opportunities in communities that are losing payrolls, and providing a variety of technical services," Mr. McNamara says.

"But more important than any of these is the encouragement we can

give these communities to help themselves," he adds.

To avoid unnecessary future investments in weapons of short life and limited usefulness, defense leaders are developing new budgetary techniques. They will be used for the first time in the budget proposal for the fiscal year that begins July 1, 1962.

The key to the budget change will be an attempt to show complete costs of all weapons on a common basis.

Until now, each military branch in effect listed its supposed needs and argued for its pet programs in almost any manner officers could devise. The results often left civilian defense officials confused over conflicting claims of the Army, Navy and Air Force. Instead of preparing one integrated budget for national requirements, defense policymakers pieced together separate ones for each military service—and hoped it all added up to over-all needs.

Now the defense budget will be drawn up in terms of broad military missions. These include such categories as limited war, general war, and air defense. The individual services will submit their proposals in given categories, allowing civilian Pentagon leaders more readily to evaluate total plans of all branches.

New procedures will also attempt to show the complete costs of alternative weapons, not only research and initial construction, but operation and maintenance costs as well. Along with this more detailed cost data, the military services will try to state the life-span and relative effectiveness—compared with costs—of their proposed programs.

"What we are really trying to do is to get the programs of the Defense Department laid out in realistic terms over a period of years," explains Comptroller Hitch. "What we want to emphasize is the total cost of these programs over the life of the program and get away from this emphasis on how much things are going to cost next year."

Looking toward longer-range military preparations, Mr. McNamara soon will seek to make plans extending over at least a five-year period, including their effects upon particular industries and areas.

The purpose of this project points up one of the Secretary's chief goals. "It will be many months before we achieve it," he says, "but I do believe that military planning and financial planning can be joined together much more firmly and much more directly than has been done in the past."

END

In one ear

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1201 (4-60)

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TO BE SURE TO GET ACTION, SEND A TELEGRAM.

KEFAUVER

continued from page 35

offered qualified applicants licenses to manufacture the drug upon payment of a reasonable fee. In that way the little companies could make the same drug, could compete in price, the drug would have wider distribution, more people who needed it would be able to get it and at a more reasonable price.

I am a great believer in the patent laws, but when it comes to public health and protection, nobody should unreasonably use his patent right to charge exorbitant prices or to keep people from getting the drug they need.

The third section of the bill would require any manufacturer going into the ethical or prescription drug manufacturing business to obtain a license from the Food and Drug Administration, after it had satisfied the FDA that it had proper equipment, proper controls, sanitation and things of that sort.

This would stop the few fly-by-night bathtub operators who make injurious drugs. Also it would give physicians confidence that whatever drug they prescribe is pure and effective. Then physicians would be more likely to prescribe by generic name rather than the trade name of the manufacturer and in many instances the patient would get his drug for a fifth or a tenth of what he would have to pay for the trade name drug.

The government advertises for medicines under the generic name; thereby little companies can compete. In many instances, the government gets its drugs for one tenth of what they cost the druggist, simply because it buys them under the generic name.

Many state hospitals and state medical agencies are now doing the same thing.

Another part of the bill: At present, the Food and Drug Administration is required only to certify that a medicine is not harmful. If someone is putting out a tablet with nothing in it except a piece of bread, FDA would have no right to turn that down even though it would have no medical benefit. So we would require that it not only certify as to safety, but also as to efficacy. The bill would require drug companies to simplify the generic names and give generic names to all new drugs.

Some of the generic names are so long and complicated that many intelligent physicians may not know

what the generic name is or how to spell it. I think some companies purposely make their generic names complicated so that doctors are not likely to prescribe by them.

Furthermore, we would require that the generic name be printed on the bottle containing the drug with the same size type as the trade name, so the druggist, patient, doctor and everybody could see the generic name.

We would require also a full statement of the side effects, the adverse effects of drugs, in the circular that goes with the drugs, and also in advertisements to the physicians. As matters now stand the advertising going to doctors in many cases doesn't include the adverse side effects or greatly minimizes them.

These and other ideas are in one bill, to change the Food and Drug Act, designed to promote competition, to get the price lowered, and to require full truthfulness about drugs.

Is the restriction on patent rights something that might apply in other industries?

I am not advocating it in other industries. The drug field is different from other industries for several reasons: First, life or death is involved in many cases. The public interest is directly concerned. Suppose, for instance, somebody had gotten a patent on penicillin and had refused to sell much of it or would only sell at a high price. Suppose some manufacturer had gotten an exclusive patent on Salk vaccine and had refused general use. Of course, that is so adverse to public interest that the public should not have put up with it.

The second point is that ordinarily in a sewing machine, or automobile, or almost anything else I can think of, the customer has some right of selection. If he doesn't like what he is offered one place, he can go somewhere else and shop. In the case of drugs, he is a complete captive of what the physician puts on the prescription. A great many countries don't have patents at all on drugs. There is a feeling that a drug should not be patented.

Wouldn't limiting patents destroy the incentive to develop new drugs?

The pharmaceutical manufacturers have generally used research costs in an attempt to justify their high prices. I am all in favor of research. Some of these companies have done some good research, although a big part of it has been

done in hospitals and universities. A large part of it has been done in foreign countries, even in some countries where they have no patent protection whatsoever.

The claim of necessity for research as a justification for high prices and 17-year patents is, in my opinion, unjustified. You take 22 major ethical drug companies and you find their research expenditures are only about 6.3 per cent of receipts. That is, they spend a little more than six cents on the average for research for every dollar of receipts.

Compared with that, they spend about 25 cents in promoting and selling their product.

On net worth drug companies have the highest profit of all manufacturing industries.

Profit on net worth, in 1958, was around 20 per cent. In years since then, it has been a little higher. The average in the United States is about 11 per cent profit on net worth. On sales, the average profit for the drug companies has been around 13 per cent on sales.

The average for all industrial manufacturing industries is about 5.5 or six per cent on sales. So you see that the profit picture for drug manufacturers is such that they could go right ahead with all of their research and still not have to be greedy in holding on to their patents for an unreasonable time.

I think it is true that in terms of profit they ought to do just about as well by licensing to other manufacturers upon payment of a reasonable royalty. This would mean that more of the drug would be sold, promoted and advertised and the patent holder still would get a royalty on all the drug that was sold.

Some thoughtful drug companies voluntarily license other people at present. But you run across some who just won't license anybody.

In another area, Senator, will Congress pass premerger notification this year?

I frankly doubt if it will get through this year. I think it will get through during this Congress, however.

We are too late in this session. Extensive hearings will probably have to be held on the prenotice of merger bill again, although we have had full hearings twice. There is a lot of opposition and the opposition demands that everybody be given the chance to be heard.

I think prenotice of merger is an important piece of legislation. We



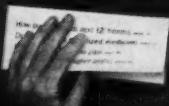
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KEFAUVER

continued

hear time and again that, by the time the Department of Justice gets the facts about some proposed merger, the merger has already taken place.

The assets are commingled so that it is impossible to separate them again. If we required, in the larger cases, a notice of an intended merger, this would give the Justice Department a chance to find out whether the government wanted to intervene. It would prevent a lot of quickie mergers.

Is the proposal for prenotice of price changes still alive?

Prenotice of price changes was put forward by former Sen. Joseph O'Mahoney [of Wyoming] to apply in limited cases in certain key industries. We had full hearings about it. I personally was never fully convinced that it would work or was desirable. It has not been revived in this Congress.

Does that mean it is not likely to come up again?

Whether it will come up again depends on what pattern price changes take and whether there is increased monopolization in certain key industries.

If we can enforce the antitrust laws and have real price competition, I don't think it will ever come up again.

If, on the other hand, the prices in the so-called monopoly industries go up unreasonably, I imagine that the public will demand something, government fixing of prices, notification of price increases, or things of that sort.

But I am not at this time an advocate of the legislation to require prenotice of price change to the government.

Senator, do you think large companies which dominate their industries should be regulated as public utilities?

No, there is nothing in the picture at present that would lead me to favor public utility-type regulation of private industries.

I still believe in regulation by competition-free enterprise, and I want us to strengthen our competitive enterprise system rather than socialize segments of our industry.

I don't think it would be effective over the long period to regulate prices. I think it would stifle economic development. If you regu-

late one industry, then you would soon be regulating something else and we would have all-out regulation, which should not be done, except in time of war or great emergencies.

How do you feel about putting labor unions under antitrust laws?

Well, I have always felt that human effort is not a commodity that comes under the antitrust laws. A person can either work or not work, depending on whether he has enough money to take care of himself.

You can't, in our system of government, force a person to work or prevent him from not working. Working people do join together and bargain with their employers on a collective basis. The employer can either agree or not agree on the wage demand or they can work out a compromise.

I do not see a place where labor unions as such would fit under the antitrust laws.

Don't you think there is a need to curb abuses?

Yes. We don't like excesses in labor unions any more than we like excesses in the corporate field.

Wherever there is abuse of power, there ought to be some method of stopping it.

I think some sections in the present labor act would be effective in that regard.

You do not think that any unions have any monopoly power in restraint of trade?

They have great power by joining together but the antitrust laws are not written so that they could be applied to human individual effort.

What do you intend to investigate in the future?

Senator Hart, a member of the Antitrust and Monopoly Subcommittee, is holding hearings in connection with consumer deception practices, that is, where by color of the package, or size of the container, or advertisement in connection with a product, the consumer is led to think he is getting something bigger, better or different from what he actually pays for.

We have had a lot of demand for a hearing in connection with hearing aids, alleged monopolization in their manufacture and the alleged excessive price of some of them.

The staff has been working on a hearing in connection with foreign trade and the antitrust laws. Why have we been losing our foreign

trade? Why is there not more competition for foreign trade?

Should there be any modification of the antitrust laws so as to make trading abroad easier, even more profitable? Should there be legislation to permit joint ventures? Clarification of how the antitrust laws apply to foreign trade is needed. Whether excessive pricing here and monopoly practices domestically have resulted in our losing in the foreign trade field, particularly in the metals industry, is also a question of fundamental importance.

These are the more immediate things we have in mind.

Do you have any target date for the foreign trade study?

I would say some time this fall.

What are the prospects for your bill to establish a Department of Consumers?

I believe 29 other senators have joined in sponsoring the bill, which is before the Government Operations Committee. They held hearings on it in the past Congress. We expect to get them to hold hearings in this Congress.

There is an increasing interest and, I think, support for the bill among the long-neglected consumers. The bill would establish a small department, headed by a cabinet member, who would be able to present the consumer viewpoint where it is involved at all levels of government. When high policy decisions are being made at the White House, when rate increases are weighed by the regulatory agencies, and orders or directives of the Federal Trade Commission and other commissions are being considered, this department would determine what effect this would have on the consumer, while getting the manufacturers and others their reasonable share of profit.

In the government today we have a department that looks after the interests of the farmer, the Department of Agriculture; that looks after the interests of the businessman, the Department of Commerce; the working people, the Department of Labor; but there is no department that considers what happens to the long-neglected consumer.

The contests before the regulatory agencies frequently are between segments of industries under the agency's control, that is, contests between trucks and railroads, railroads and airplanes, oil and coal. These are frequently decided without thinking much about the effect on the consumer.

Certain functions of government that pertain directly to the consumer might be transferred to this new department, such as the Bureau of Labor Statistics in the Department of Labor; perhaps the Food and Drug Administration in the Department of Health, Education and Welfare; perhaps the Department of Home Economics in the Department of Agriculture; maybe others. I think that a small department, keeping records, making studies of what is happening to the consumer, presenting the consumer's viewpoint at all levels of government would do a lot of good.

For 12 years we have seen one price rise after another accompanied by inflation.

Almost every month the BLS price index increases a little. This especially works a hardship on the people who must live on fixed income, pensions, social security, and on white-collar workers who are not organized to keep their income commensurate with the increase in the cost of living.

You speak of this Department as small. However, the language of the bill would permit it to investigate practically any complaint from the quality of a product to poor service at a department store counter. Is this the intention and if so, wouldn't it require quite a large policing establishment?

Well, perhaps it ought to be looked over again and revised to some extent.

I do think it is important that somewhere in the government there is interest shown in the complaints of people about prices and consumer problems, but that does not mean that everyone should be investigated or that this was contemplated.

Doesn't the FTC have a responsibility in this area?

The FTC has a responsibility only if there is an allegation that some law is being violated. They have a responsibility, for instance, if somebody is charging higher prices to one customer than to another, but as to general complaints about consumer problems, they have no responsibility.

In connection with your hearings do you think there is any chance the public may become distrustful of all of business and the whole free enterprise system?

I think that hearings such as we have had tend, in the long run, to

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strengthen the confidence of the American people in business generally.

The best way to handle any problem in our American system is to get it out into the open, let everybody see it and make corrections.

In the second place, I don't think the few things that have been brought out in the drug industry and in the electrical manufacturing industry are such as to convince anybody that all industry is bad.

In the third place, the public is a whole lot more likely to lose confidence if they hear rumors or if they are convinced they still don't know the whole story. There will be better sustained confidence in the long run if the whole story is brought out and Congress has a chance to pass some corrective legislation.

I am a great believer in the philosophy that we have a cleaner, fresher atmosphere—and that applies to business—if the facts are known rather than concealed.

Senator, do you think that administered prices are fairly widespread in the business community? [The senator defines administered prices as those set by management rather than by demand and supply factors.]

Administered prices generally are confined to those industries where there are so few manufacturers that there is opportunity either to discuss and fix prices in outright violation of law or somebody is so dominant that he can fix the price and everybody else follows suit. You find it particularly, I think, in the metals industry, steel, copper, aluminum, heavy electrical equipment, automobiles, and certain types of drugs. There is much of it in American industry.

If steel prices go up this fall, would an investigation be justified?

I think an increase in steel prices would have a bad effect upon our economy and undoubtedly would set off a round of price increases which I suppose would be met with even further demand for wage increases, and there would be a vicious cycle again.

I hope that both labor and management will consider the bad effect that price increases would have upon our economy. Whether it would justify an investigation would depend on what happened. I am not able to say at present. END

What controls would cost consumers

Proposed legislation seeks to outlaw many price cuts

PRESSURE IS GROWING in Congress to push through new measures for federal regulation of your business.

Proponents of these bills say that they are intended to improve competition and protect the small businessman and the consumer. In the interview on page 33 Sen. Estes Kefauver, a leading advocate of such legislation, discusses several of his proposals. Other proposals are sponsored by other members of Congress.

Most businessmen believe that many of the bills would prevent free, competitive market forces from operating and block business from passing on the benefits of efficiency to the consumer.

The principal legislative proposals include measures which would:

- Compel larger companies to give the federal government 60 days notice of planned mergers.
- Eliminate the "good faith" defense in meeting charges of price discrimination.
- Require lenders and retailers to make known the "simple annual rate" of finance charges, a figure almost impossible to calculate in many cases.
- Force suppliers to charge retailers more than wholesalers.
- Set up a Department of Consumers with broad authority to investigate commercial practices involving consumer goods and services.
- Impose extensive controls on the

drug industry and sharply reduce that industry's patent protection.

- Outlaw sale of any item below cost.

Few would argue that there is no room for improvement in the laws on competition. They are full of confusion and contradictions.

The laws leave one big question unanswered: What is "competition"?

For 70 years, the best legal minds, and tens of thousands of businessmen, have attempted to define the philosophy inherent in that word. The result has been a mass of conflicting definitions.

It has been proposed that Congress, as its next action in this field, spell out for the first time in history exactly what it means by competition.

The Sherman Act, passed in 1890, is still theoretically the economic charter of our free enterprise system. It, and the subsequent Clayton and Federal Trade Commission Acts, wrote into law the philosophy that competition is the best regulator of a profit-making society.

Unfortunately, these acts did not define competition and governmental philosophy has changed considerably since they were passed. The aim of much recent antitrust philosophy seems to be to preserve competitors, rather than competition. Yet any businessman who competes is necessarily out to injure his competitors, at least indirectly.

The Robinson-Patman Act of

1936, for example, in effect outlaws price differentials not based on actual cost savings or made to meet the lower price of a competitor. Its aim is to stop competing companies from using a supplier as a lever with which to gain an artificial advantage.

Its effect sometimes has been to lessen price competition. To ban price competition and efficiency in the modern technological era is to penalize the consumer.

Premerger notification

Notice of plans to merge, or to buy or dispose of assets worth \$2 million or more, would be required by several proposed bills if the companies involved had "combined capital, surplus, and undistributed profits exceeding a book value of \$10 million." Sponsored by Senator Kefauver, and Rep. Emanuel Celler, Democrat of New York, the proposals call for notification of the Federal Trade Commission, Attorney General, or the regulatory agency to which the company is subject.

The government would then have 25 days to request information. The merger could not be completed for 60 days. The FTC would be given the power the Justice Department now has to seek injunctions against a merger that might substantially lessen competition or tend toward monopoly.

This legislation has been challenged as raising vital threats to the merging companies, the principal one being premature publicity that could upset their plans and force disclosure of all their corporate information. It raises more serious threats to the basic legal concept of competition.

Considering the proposals' intent to restrain mergers, the reviewing agencies would undoubtedly be reluctant to approve most of them. The effect would be to freeze the pattern in each industry. Smaller companies could grow by acquisition only to the point where notification would be required.

Companies that gained leadership before the law was passed would remain the leaders, some economists claim.

Ability to enter or leave an industry also would be curtailed. Many might be reluctant to risk their money if they knew that, if they did not succeed, they could not expect to be bought out by a larger company, and could be forced into bankruptcy.

In addition, a comparison of statistics on mergers and business failures indicates a danger that a forced

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CONTROLS

continued

reduction in mergers could lead to a rise in bankruptcy rates.

Meeting competitors' prices

Price cuts made in good faith to meet a competitor's reductions are specifically authorized by the Robinson-Patman Act. The Supreme Court has ruled that this defense is absolute protection against price discrimination charges. Some members of Congress contend this decision nullifies the objective of the Act. Senator Kefauver and Rep. Wright Patman, Democrat of Texas, have offered bills that would deny the "good faith" defense if the effect of the price cuts might be to injure competition. While this legislation is not being pushed this year, it remains a long-range goal of its sponsors.

Some legal experts believe the actual effect of the legislation would be to deny the right of a seller to protect himself against a competitor's price cut.

The effect, they say, would be to curb downward price pressures and increase rigidities in the pricing structure. A firm under competitive price pressures could not selectively meet a competitor's lower price offer. It would have to choose either to lose some customers while maintaining its prices or to hold that business by reducing prices generally. Since a general price reduction might seriously damage the firm, it might well have no alternative but to maintain its prices, even though that would mean sacrificing some customers to a competitor.

Credit disclosure

More than 50,000 financial institutions and hundreds of thousands of retailers would be affected by a proposal to require that borrowers and customers buying on credit be given a statement showing the dollar amount of all finance charges and the percentage that such charges bear to the outstanding balance in terms of simple annual interest.

Democratic Sen. Paul H. Douglas of Illinois, the bill's leading sponsor, claims that excessive use of credit threatens the stability of our economy. He says that buyers frequently go overboard on credit because they are unaware of what it is costing them.

Opponents point out that this assumption is highly questionable and add that reducing consumer credit

would tend to slow production and increase unemployment.

Furthermore, they say, adoption of the bill would encourage abuses. The small number of unscrupulous credit merchants could simply raise prices to absorb finance charges and place such advertisements as:

"Why pay for credit? Buy here and get 24 months to pay without any credit charge."

Because of this, Sen. Wallace F. Bennett, Utah Republican, emphasizes that the bill could not be enforced "without also setting up and using vast new federal powers to change the whole pattern of our present system of using credit in retail distribution, and to fix prices on every commodity and service in every town in the United States."

The extreme complexity of computing "simple annual interest" on every credit transaction is another flaw in the bill. In the most popular form of retail credit, the revolving

United States Chamber of Commerce, "takes on the distinct appearance of being anticompetition, antiprogress and, therefore, anti-consumer. To the extent that this would penalize low-cost distribution developments and inject unnecessary costs into distribution, it would raid the pocketbook of the American consumer. It would legislate a competitive advantage which is not necessarily justified. It would turn our economic clock backward a generation or more to the era before the advent of the high-volume, low-cost distributors, the supermarkets, the co-operatives and corporate chains, the integrated retail enterprise that performs its own wholesale functions—dynamic developments that have contributed significantly to more economical distribution and, consequently, to our rising standard of living."

Wholesalers themselves probably would be damaged in the long run. Some manufacturers might simply stop all sales to wholesalers and sell only to large department stores, corporate retail chains, co-op buying groups, and other integrated retail operations.

Some large retailers might decide to produce more of their own products and push those brands, with the result that they would buy less from wholesalers.

Other retailers might increase their purchases of imports, which would not be subject to the law.

Department of Consumers

Senator Kefauver's bill to establish a Department of Consumers has drawn fire from a number of directions. One of the basic objections is that protection of consumer interests is the statutory responsibility of all government agencies concerned with the promotion and regulation of the national economy and is too broad a function to be administered by a single agency.

The proposed department would be given the power to investigate complaints from consumers. It would be charged with investigating production and distribution of consumer goods; the reasonableness of prices for goods and services; the quality and suitability of consumer goods; and the degree to which business satisfies consumer needs.

The department would have the authority to require corporations with assets of more than \$5 million to file regular reports on their productive capacity, volume of production, selling prices, costs of production and distribution, volume of sales, assets, and earnings, and re-

Russian leaders
are planning renewed
assault on U. S.
production lead.
Top authority
describes their
strategy on
page 36

charge account, it is virtually impossible to know in advance what the simple annual credit rate will be.

Most other credit arrangements also include so many variables that computation of the rate would be very difficult.

Prohibition of discounts

Several proposals would require suppliers generally to charge retailers more than wholesalers. For performing distribution functions which would be costly for the manufacturer himself, wholesalers usually get a functional discount. This is, in effect, payment for services rendered. At present, other purchasers, such as large retail stores, also perform these functions of distribution and also get the discount.

The new proposals would deny discounts to retailers simply because they resell to consumers.

This legislation, to quote the

lationship to any other corporation. Opponents feel that such authority would further inject the federal government into private business affairs. It would also risk exposing confidential production and distribution information which might aid competitors.

Drug bill

Spirited opposition to the drug control bills introduced by Senator Kefauver and Representative Cellar has come from the drug industry, and other segments of business have expressed concern over the patent provisions.

The measures would cut the traditional 17-year patent protection to three years. To keep the patent after that, the holder would be required to license qualified applicants to make the drug anywhere in the world during the remaining 14 years. Licensing would require disclosure of all know-how in producing a particular drug in return for a royalty of eight per cent of the gross sales price.

The Pharmaceutical Manufacturers Association, which represents nearly all of the U. S. prescription drug industry, says that this provision would sharply reduce the industry's incentive to invest in research. It also foresees a long-term shift of drug production to foreign countries, where drug firms with lower production costs could use U. S. patents to compete with our drug industry.

Below-cost sales

Representative Patman proposes to prohibit sale of any product without profit. His bill would provide that wherever state laws provide minimum prices, they must be observed under penalty of federal law. If there's no state law, a retailer must sell each product for no less than its cost plus a markup to cover operating expenses. This proposal leaves unanswered the big question of how costs are to be determined and allocated.

Furthermore, it would penalize the merchant with outdated or outmoded stocks, since he couldn't dispose of them at cut rates. This might tend to keep inventory accumulation down since no one would want to risk buying goods he couldn't be sure of selling at a profit.

Critics point out that the bill is actually unnecessary, because the evils of predatory pricing at which it is ostensibly aimed are already effectively prohibited by federal and state legislation.

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EACH TIME a man moves to a position of greater responsibility in business, the move represents a company's investment in his potential. It is a vote of confidence, an expression of belief that he can make the grade.

No matter what selection test scores show or what a man's personnel card reveals, a new manager—whether an outsider or an insider moving up—constitutes a risk.

You want him to make good.

The absolute necessity of seeing to it that new men do make good is reflected in the comments of many executives who have studied the problem at close range.

Typical of these is the following observation by Tom N. Sewell, personnel manager of the Texas Power & Light Company:

"We know of instances where lack of adequate orientation resulted in serious damage to the new man, his employees, and the company. We're determined to guard against any repeat of such instances."

An important first step to assure a new man's success is proper orientation. The conventional formalities of introducing the man to the organizational chart, his office location, his secretarial services, the executive dining room, parking facilities, some of his key associates and the whole gamut of personnel department requirements may be necessary—but they are not enough.

The company that wants to help a new man to quick adjustment and early productivity must understand three things:

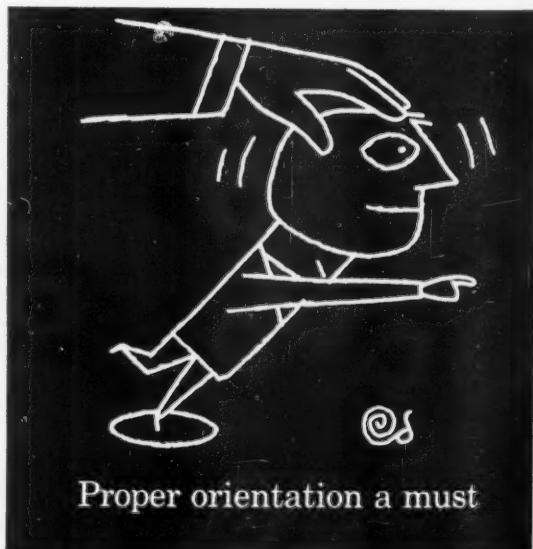
- Why orientation is necessary.
- Who should conduct the orientation.
- What it should include.

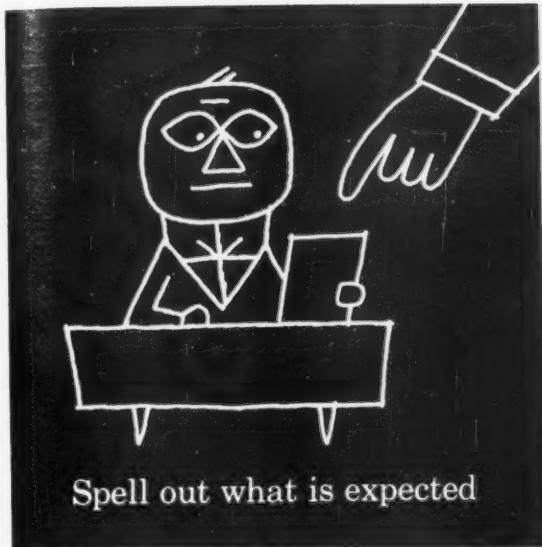
The problem of orientation must be faced even in

companies which advocate that every manager train his successor. There is a difference between sitting in the number one chair and in the number two chair in a division or a department.

There are changes in responsibilities, mental skills to be used, the use of executive time and effort, realignment of relationships, and the nature of teamwork at the new level.

Good coaching of subordinates by their superiors is a real asset in easing the transition to the new job, but the man still has to form his own perspective and call the shots as he sees them in getting on top of the new job. Moreover, in striving for achievement, new





managers will try to make their own jobs as they see the need.

In an insurance company a recently promoted middle manager was regarded as a bust after the first month in his new post. The company expected him to produce new ideas, build more discipline into his unit, and project a plan to accommodate a new insurance program.

Unfortunately, the company did not alert him to the heavy backlog of work which he was to inherit.

The former department head had left much undone. There were unfulfilled commitments, an overflowing in-basket, a difficult grievance case scheduled for hearings.

The new man needed a month just to clear his predecessor's desk, handle pending matters and crash requests, and bring about some semblance of order before turning to other ventures.

In another case a manager in a real estate firm was severely criticized for missing the regular Friday morning staff meetings.

In his orientation, however, he had been informed that only the Tuesday meeting was essential and that attendance on Friday was optional. The fact was that all managers at his level were expected to attend both meetings. It was a long time before he recovered from the criticism he received.

Let's take a close look at the elements of effective orientation.

Why orientation is important

Good orientation is particularly important for men in the middle management ranks, where even marginal performance can wreck careers.

Regardless of past performance or professional competence, the new man lacks a sense of belonging and is insecure to some degree. Dr. Alan McLean,

a consultant in industrial psychiatry, has observed that the new man is in a position of isolation and emotional discomfort. He tends to seek a confidant in the company, someone secure in his own position and a person of integrity. But this is no substitute for effective induction. We must enable the man to get over any defensiveness or indecision. We must help him feel completely at home as boss of his unit.

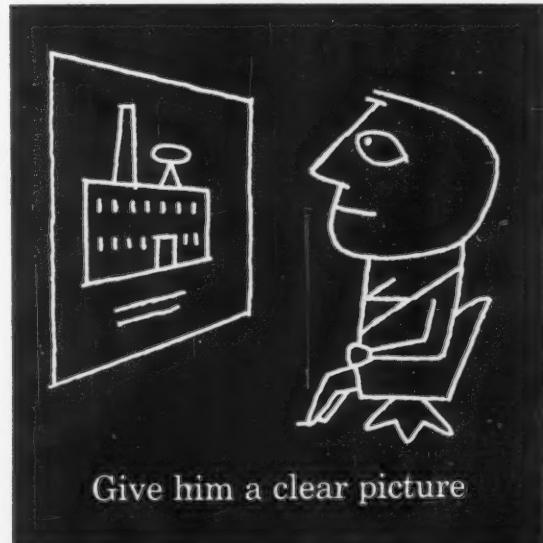
It is also important to put the brakes on a new man tempted to charge ahead in order to make a good impression. Good orientation will tend to counteract this tendency.

Manager orientation is also important because a new man has an unusual psychological readiness to learn.

The director of training at Eastman Kodak Company notes these psychological conditions facing the new man: He is uneasy and sometimes downright scared; he is eager to learn; he wants to succeed. This kind of setting provides an excellent basis for effective learning through well planned orientation.

For the company, taking a new man on board provides a strategic occasion to take stock of the status of the unit he is to lead. Changing managers offers an opportunity to change departmental habits that result in wheel-spinning, dissipation of energy, unproductive time and effort, and even serious misunderstandings. It may also uncover envy or resentment among some of the man's new associates who may feel that they were passed over and thus may subtly sabotage his efforts.

It is also understandable that a company wants to get moving fast when the new man arrives, especially after the time lag incurred in recruiting or delay in transferring the man when he comes from within the organization. Investment of a little more time at the point of entry will save time and money later in cor-



recting maladjustments in relationships and preventing boners on the job.

Who should handle orientation

Orientation is primarily the job of the line official who had the final voice in selecting the new manager and the boss for whom he will work. These two should be expected to put aside sufficient time for face-to-face sessions with the man as well as to monitor his induction. This task cannot be palmed off on the management training director or the personnel department. The training director should later include the new man in the company's management training program, but this is another responsibility entirely.

To the extent that other parties get into the act—the former incumbent who may still be around or the assistant who held the fort during this transition—the new manager must be perceptive in determining how much of what they tell him is objective and how much personalized and opinionated.

The two men chiefly responsible should be willing to talk straight about past performance of the department, organizational planning under way, budgetary support, people and their relationships, pending policies and decisions which may affect the department. If a management consultant has looked over the company in recent years, pertinent information from this survey should be passed on.

Beneficial suggestions which have been put in cold storage should be brought to his attention. Appropriate reports, agenda and minutes of staff meetings, special documents of interest should be made available.

Within bounds of propriety, the company can expose certain confidential documents to the next man.

The briefing should be candid and deep enough to enable the new man to come away with a clear understanding of the set-up—almost as though he had researched in advance the company and department he was to join.

What to cover

Dangers of overlooking important details will be lessened if those handling the orientation divide their presentation into three steps:

The big picture: This presents the company's objectives, plans, and expectations. It should portray the corporate sense of values, the public relations image as seen by outsiders, and the internal image of the organization.

It should provide a perceptive presentation of the company's present and potential product lines, the nature of the competition in the industry, the progress in research and development (if this is applicable), the company's profit position and what is needed to improve it.

It should also focus on shifting objectives, anticipated changes, and related matters. In summary, it should enable him to get the feel of the pulse of top management and how it views the company's future.

The operational picture: This concerns the setting in which the new manager will operate, have access to information, statistical data, and other resources,

make decisions, sell his ideas, consult with others, meet his own responsibilities, and contribute to the team effort.

The important questions of coordination and inter-office relations must be covered. His areas of responsibility should be spelled out, along with standards of performance, work plans and their completion, and how his progress is reviewed.

This is also the time to cover delegation—its extent and to whom.

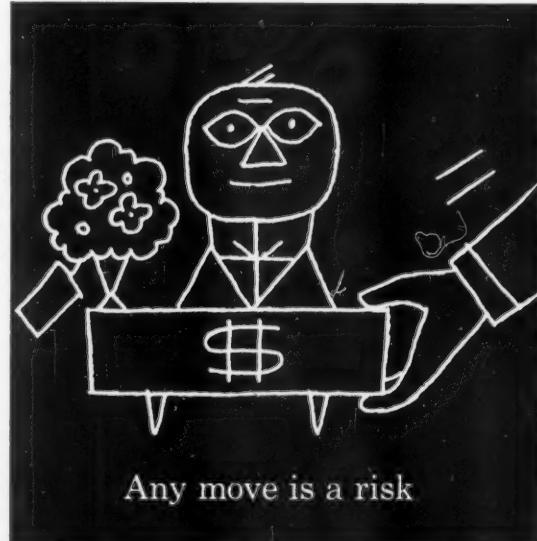
In addition, it provides the framework of both the formal and the informal organization and their respective influence. Other information should relate to special problems of supervision, relationships with associates, and the status of morale and productivity of his unit.

The personal picture: Basically, this involves a frank and helpful presentation of how the man can grow on the job, avoid dead-ending, and measure up to the demands of his position in a way which will reflect well upon him.

Here attention is given to what the man can do himself to make an effective transition from his former job to the new one, ways to bolster his self-confidence, pointers on how to use his time effectively so that he can meet priorities and deadlines.

It provides the basis for discussion and counsel on how to deal with conflicts and pressures.

A good presentation or discussion should try to show how the new man can best measure up to the standards expected of him and also derive some enjoyment out of the new position. He should be cautioned that, while he may have overcome certain blind spots in his former job, he may develop new ones now. He should be advised how to counteract the new hazards. Moreover, some attention should be given to how he can find time to think—about the job, about improving relationships, about management improvement, and about innovations in his department or





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continued

division. Particularly vital is letting him know where he can get more counsel and guidance if and when he needs it.

Throughout the orientation effort, there will obviously be some difference between the new man from the outside and the man promoted from within. However, this will be largely a matter of degree, allocation of time, and intensity. But the main essentials of the balanced presentation and the follow-up should apply more or less equally to both.

In essence, the orientation should indicate what the company can do for him and, more important, what he can do for the company.

How long should orientation take? It is not a matter of time so much as the extent to which it is well planned, intensive, unhurried and covers the important ingredients. After all, orientation has to be regarded as a kind of manager training, highly personalized and crucial to the interest of the company and the man.

A positive program, too, should have an element of follow-up. There should be some provision for keeping in close touch with the new man to determine how things are going, keeping posted on how his staff meetings are coming along, and where the boss or the company can help.

Review of the administrative manual may be necessary because of complex situations facing the new manager's department. Some mental index should be made of his mistakes and their consequences, as well as how speedily the mistakes are undone to the extent practicable. Controls on his performance should be relaxed at first but tightened up as he gains experience.

For all this, there is still much that the new manager will have to discover for himself. This is his task and has to be the product of his observations and judgment. Among the things he may have to smoke out for himself, once on the job, are such matters as crossing of lines of authority, the influence of one-boss rule and the legacy it leaves, the problem employees, backlogs of work not readily visible, deadwood, provincialism, hero worship of the former boss, inbreeding, line and staff rivalries, and communication breakdowns.

He will have to spot instances of mediocre men handling too many responsibilities, span of control which may be too wide and unmanageable, and supervisors too much absorbed in details which should be left to technicians and clerks.

He will be dominated by the question, "What's the set-up here?"

He may find few or none of these problems, the whole set-up may be favorable, and he may be blessed in inheriting a good situation from his predecessor. In a well managed company this will often occur. But the probing and stock-taking must nevertheless be done.—NATHANIEL STEWART

REPRINTS of "Give Your Men a Faster Start" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H. St., N. W., Washington 6, D. C. Please enclose remittance.

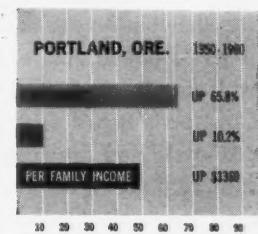
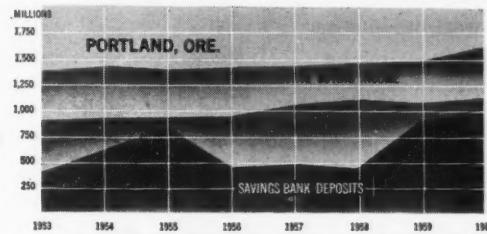
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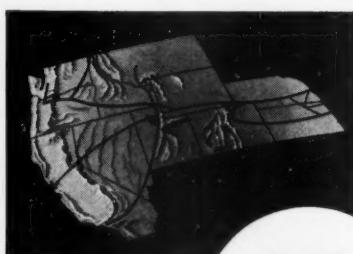
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BETTER PLANNING

continued from page 43

living with the consequences of that decision for 20 to 30 years.

Instead of beginning with an arbitrary time span and trying to concoct a plan to cover it, wise managers approach the problem from the other direction. They assess the overhang in time of every decision they are required to make. They commit the organization as far ahead as is necessary to pursue its defined objectives, but no further.

Plan for change

Planning necessarily involves making some assumptions about future markets and business conditions. This is always risky because the dominant characteristic of the future is its uncertainty. But you can do two things to minimize the risk.

One is to gear your planning to basic long-term trends in the economy, rather than to forecasts of yearly fluctuations in the business cycle. Trend projections are not 100 per cent reliable, of course, but according to Mark W. Cresap, Jr., president of Westinghouse Electric Co., they have proved to be "vastly more accurate, on the whole, than guesses as to cyclical swings."

An eastern manufacturer of sporting goods decided a few years ago to embark on a major expansion program. The decision was based on the belief that a growing population, with increasing leisure time, would produce a steadily widening market for its products. The first year after the expansion was undertaken sales dropped sharply in a general business decline and some executives were ready to abandon the growth objectives. But top management held to its estimate of the long-run trend. As a result, the company was able to take advantage of a sharp rise in demand two years later.

The second thing you can do is to plan for change. It's a certainty that the future will bring surprises. The United States is now investing more than \$10 billion a year in research and development. The pace of technological advance, which has been dizzy enough in the past, will unquestionably accelerate in the years ahead. Many of the most spectacular business opportunities of the 1960's now are completely unforeseeable, even by the wisest prophets. They will develop suddenly and unexpectedly around new products and processes which now are only

gleams in the eyes of men in the laboratory.

Conversely, sudden shifts in consumer preferences may destroy what now appears to be a most promising market. The Ford Motor Company sank more than \$250 million into the development of the Edsel a few years ago because its market research indicated that a growing number of American families would want to trade up to a medium-priced car during the 1960's. But the public decided that it really wanted smaller, cheaper cars. Ford management wasted no time moaning over the perversity of popular tastes. It scratched the Edsel, wrote off the loss, and plunged into the growing compact car market.

If Ford cannot always call the turn on market shifts, with all the research facilities and management brains at its disposal, smaller organizations are not likely to be able to do so either. What both large and small firms can do, however, is to conduct their planning so that it will be sensitive to change.

The basic secret of change-responsive planning is to identify every assumption about the future which is implicit in your plans, and then to set up some sort of organizational radar to scan the horizon continually, watching for any kind of change that would threaten the validity of your assumptions.

This is not really as difficult as it sounds. The Stanford Research Institute says that relatively simple procedures can insure that a company will "keep constantly aware of potential changes" affecting its planning.

"A few inquiring, informed men can be set to the full-time task of monitoring what's going on in the world, so that management need not wonder what in the world is going on," it says. "Effective tools for such a program include surveillance of periodicals, personal contact with scientists, economists, scholars and executives in other companies, and effective utilization of an objective, research-based look at the future."

Feedback, folks and finances

Plans sometimes go sour for reasons other than a change in the external situation. An idea which looks perfect on paper may simply not work out in practice. Good planners recognize this and arrange for a steady feedback of reports on actual operation. This feedback should go not only to operating officials, but also to planning officials who can use it in revising plans.

Balance is another essential in-

gredient of good planning. Some managers tend to think that growth is primarily a matter of designing better products, building new plants, and tapping bigger markets. But two other important factors—manpower and money—must be taken into account in planning for solid growth.

"Planners tend too easily to assume that enough management talent will be available no matter how ambitious the expansion plans may be," says Prof. H. Edward Wrapp, of the Harvard Business School.

Actually, the lead time required to build up the management force required for a major expansion program may be considerably longer than that required to erect the new production facilities. This is one reason why some companies prefer to expand through acquisition of going concerns. Acquisition is a way of buying management along with production facilities and markets.

Republican Congressman Clare Hoffman of Michigan used to have a standard question which he asked the U. S. House of Representatives each time a spending proposal was up for consideration:

"Where is the money coming from?"

It is a good question for managers to ask, too, at the outset of planning. Capital requirements for launching new products or entering new markets have risen sharply in recent years. Some economists estimate that the investment per worker in manufacturing industry has tripled since 1920. Competition for capital is increasingly severe. Under today's conditions, managers are skating on thin ice when they blandly assume "we'll be able to raise the money somewhere" for a projected expansion program.

One long-range financial planning device is the capital budget. It includes a careful forecast of the amount of money that will become available through depreciation, retained earnings or other internal cash flow operations during the next several years, and may also include estimates of the additional capital that can be obtained readily from external borrowing or equity issues. This capital budget serves as a vehicle by which top management can assign priorities, and choose between alternative projects in committing the company's resources to investments which promise the best return.

Get everybody into the act

Management theorists once debated the relative merits of top

down and bottom-up planning. Now there is a growing realization that good planning moves both ways.

It begins at the top, with the setting of objectives and the tentative formulation of broad programs and policies for moving toward the objectives.

Once top management has performed this task, however, operating departments and specialists of all kinds should be brought into active participation in planning. They should not be asked merely to carry out or fill in the details of top management's plans. They should be invited to take a hard, critical look at the plans, to find bugs in them if possible, and to recommend better alternatives. Bell & Howell has had striking success with a broad participation approach to planning. "We believe firmly," says president Charles H. Percy, "that our business should be the expression of the ideas and objectives of our entire management group, and as far as possible, of our employe group."

There are, Mr. Percy notes, obvious practical limitations. You can't tie up your operating managers in endless planning meetings. The final decisions must always be made by top management, and some of the plans, at least, may have to be kept within a fairly close circle.

But within these common-sense bounds, it unquestionably pays to bring the collective knowledge of the entire organization to bear on planning. The dividends are threefold:

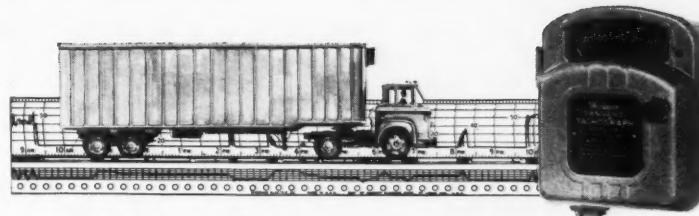
First, it greatly reduces the likelihood that you will be led astray by a false assumption or a front-office misunderstanding of the actual problems on the firing line.

Second, it helps to stimulate creative thinking deep within the organization, because it provides a specific channel by which such thinking can be expressed.

Third, it gives the men who must carry out a plan a sense of personal identification with it—a feeling that they were in on the take-off. This leads to more enthusiastic and imaginative execution. Following these suggestions will not remove the risk from business planning. But good planning is the best insurance a manager can have that a majority of his bets will pay off.

—LOUIS CASSELS &
RAYMOND L. RANDALL

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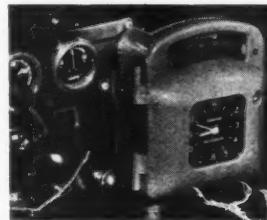


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HOW GOVERNMENT SPENDS YOUR MONEY

Ever wonder what happens to the taxes you pay?
This breakdown shows you what the dollars buy

GOVERNMENT is spending about \$830 of your money this year.

Last year, it spent \$802; in 1955, \$646, and in 1950 it spent \$446.

These figures represent total spending of the federal, state and local governments divided by the population of the country. If your income is above average, and you pay more taxes than the average worker, the government spends more of your money.

Here's how the average has increased: \$20 in 1902; \$90 in 1927; and \$359 in 1948.

Total spending by government grew from \$1.6 billion in 1902 to \$152 billion this year or 9,400 per

cent. While this has occurred, our population has grown 130 per cent. Government spending per capita is now about nine times as great as in 1902, if adjustments are made for price changes.

Expressed in dollars with 1961 purchasing power, government spending per capita has grown from \$95 in 1902 to \$126 in 1913; \$193 in 1922; \$206 in 1927; \$365 in 1938; \$551 in 1948; and \$828 in 1961.

The federal government spends \$1.40 for every dollar spent by all state and local governments. Of the federal spending, 54 per cent is for national defense and international relations. With these omitted, Uncle

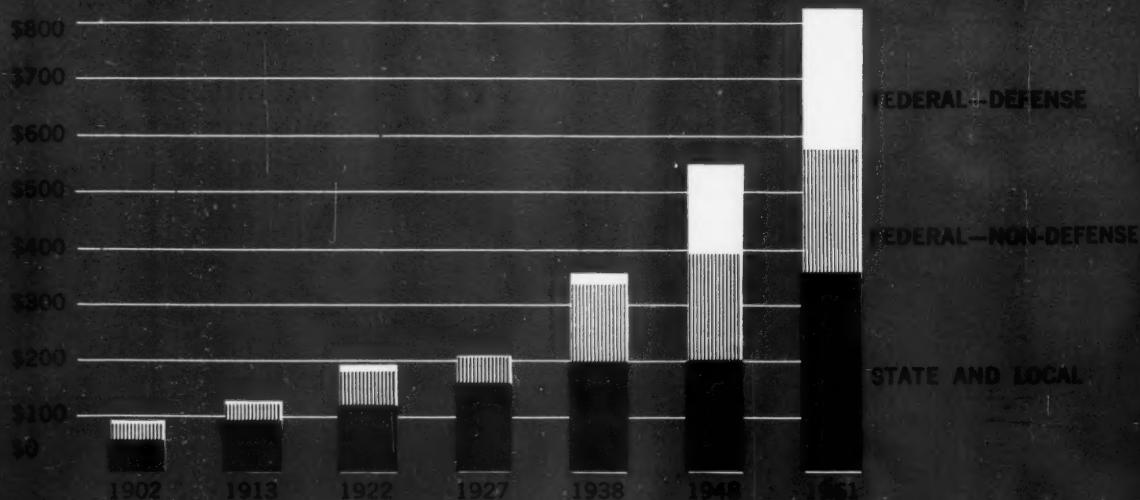
Sam still spends 64 cents for every dollar spent by state and local jurisdictions.

Federal grants make up a substantial and rising proportion of state and local spending. Such grants grew from less than one per cent in 1902 to two per cent in 1922; 10 per cent in 1938; and 15 per cent this year. These grants are principally for agriculture, education, health, highway and welfare programs.

The NATION'S BUSINESS chart below shows how government spending has grown, by major categories, from 1902 to the present in dollars of 1961 purchasing power. **END**

Government spending per capita

(constant value, 1961 dollars)



POLITICAL WINNERS

continued from page 41

be active in politics. He calls it, "Anticipated Effectiveness in Office."

"Will the candidate, if elected, express his views, influence others around him, and be able to do his job effectively?" Mr. Forster tells the voter to ask himself.

"If he is going to fill the seat to which he is elected and contribute nothing more (even if he ranks well in other factors), we don't want him."

Related to this point is whether a candidate possesses perseverance and is able to take criticism. A situation has developed in a West Coast city where presumably good candidates, elected to office in a reform movement, now are discouraged and threatening not to seek re-election because of the constant complaints and criticism they get wherever they go.

Most of the complaints are trivial, such as the new dog-leash ordinance or holes in the street, but they are irksome to the novice officeholder, especially when no praise is mixed in.

In a nonpartisan election, where both candidates are well qualified, Mr. Brightman urges that the voter support the candidate who is the leader best able to get support for his program once elected.

In a partisan election, you should examine the party's program, look at its record, and consider the candidate's relations with the party.

Is the candidate a front for a bad party? Is he a strong man who can lead the party? Will he use the party to carry out his promises?

In a local election, Mrs. Phillips says it is most important to consider how active the candidate has been in civic affairs. What has he done for the community? Has he served on any committee, board or other group which attacked the community's problems or planned its progress? Has he served in other public office? How well?

On the personal side, Mrs. Phillips tells the voter to ask himself whether the candidate is intellectually honest and open-minded.

"If he is elected on a party ticket, will he follow just his party's line or will he make up his own mind and stand up for what he thinks is right?" she asks.

"Consider," she says, "whether the candidate has independent judgment. Also, will he represent the views of one economic group, or

will he represent the community as a whole?

"A public official is subjected to many pressures. He should not be dominated by any one of them."

The Municipal League of Seattle and King County in Seattle, Wash., has a rating chart which it uses to check the "characteristics and qualifications" of each candidate for public office.

It rates the candidate superior, above average, average, below average or unsatisfactory on:

Education.

Success in business or profession.

Knowledge of duties of office.

Knowledge of important issues.

Community activities.

Clarity and logic of expression.

Ability to develop a program for solution of problems. Record in public office showing ability to conduct office or put over program.

On personal characteristics, the League measures whether the candidate is alert or dull, candid or evasive, a leader or a follower, naive, industrious, conscientious.

A consultant to companies with practical politics programs for their employees, Joseph J. Eley, president of Public Affairs Counsellors, New York, cautions the voter to find out who supports the candidate.

"In many cases—if not most—the candidate is not a single entity, but is the result of the amalgamated work of and philosophy of the supporting group," he says. "He is responsive to his supporters.

"So, any evaluation of a candidate must include an analysis of the team which supports him."

F. Clifton White, a New York political consultant active in Republican politics, advises voters to examine the candidate's professional and business background against the requirements for the office.

If the candidate is running for comptroller, assessor, highway commissioner, sheriff, or other office requiring special qualifications, does he have the background and experience to fill the post satisfactorily?

In nontechnical posts, Mr. White says, "Find out what the candidate has done in civic and community affairs. Has he looked for the glory-titled jobs, or has he really been a worker? This helps determine whether he is dedicated to public service."

Where he stands

Assuming that a candidate is honest and able, he may not be the man you want to run your government if he doesn't stand for the things which you feel are needed.

Is he for sound business practices and economy in government?

Does he want the city to grow, progress?

Will he insist on effective and impartial law enforcement?

What about taxes? Is he for equitable taxes on a broad base, or does he want to make some group carry more than its rightful share of the load? Compare your taxes with those in nearby communities.

Does he favor tax-paying business enterprise, or is he for tax-exempt government ownership of the transit system, electric and gas utilities, or other facilities in competition with private enterprise?

Does he favor the community paying its own way, working out its own problems, or does he favor federal assistance and intervention?

Where does the candidate stand on roads, traffic control, parking facilities, zoning?

In substance, does the candidate understand the community's needs and problems and does he have a positive program—constructive solutions—for meeting them?

W. V. Merrihue, manager of community and business relations for General Electric Company, says businessmen in a community should have their own goals which they expect the candidates they support to accomplish. "It is always better to measure a man on the basis of his performance with respect to predetermined goals rather than personality traits," he says. "In many communities businessmen have studied the needs of their communities and have determined the goals they can use for measuring the effectiveness of politicians."

Mr. Merrihue is also chairman of Effective Citizens Organization, which conducts seminars for executives to encourage and help develop practical politics programs for management employees. General Electric has worked out a procedure for studying a community and determining what improvements are needed. It is called Community Business Climate Improvement.

Communities using this procedure measure politicians by some specific community goals. They include urban renewal, improved parking, better highways, better housing, impartial law enforcement, removal of discriminatory taxes, traffic studies, higher pay for teachers, sanitary fill for the local dump, new airport, technical school and college campus.

William H. Baumer of the Johnson & Johnson medical supplies company, who himself has run un-

POLITICAL WINNERS

continued

successfully for office, criticizes businessmen as failing to analyze political candidates and issues as well as they do their business problems.

Too many of them, he says, are influenced by the label put on a candidate and, like most voters, are susceptible to emotional appeals.

How to find out

There are various ways of getting information on candidates.

If the candidate already holds public office, you can judge him by his performance and achievements. If he holds a legislative or other office where he casts a vote, you can examine his voting record.

Voting records and other information on candidates are compiled by some chambers of commerce, labor organizations, citizens' leagues, voters' leagues and civic groups. Some are published in newspapers or other publications. The information usually is available.

These organizations often arrange public meetings at which can-

didates can be heard and questioned as to their views and objectives.

You can be deceived if you rely solely on one aspect of judging a candidate—his personality and appearance, for instance—without consideration for his ability. Or his professional qualifications without consideration for his honesty or ability to get along with people and get things done. Even voting records can be misleading if you don't know which were the key votes.

Even after you examine the qualifications of the candidates, match their objectives against what you think the community needs, and weigh one candidate against the other, you may have difficulty making up your mind.

But at least, when you do make up your mind, it will be the result of considered judgment, based on facts. You won't be voting in the dark.

END

REPRINTS of "How to Pick Political Winners" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from *Nation's Business*, 1615 H St. N.W., Washington 6, D. C. Please enclose remittance.

RED BRAINPOWER

continued from page 37

four-year education was universally available; today, eight-year schooling is compulsory. The original goal of 10 years had to be abandoned because of a manpower shortage.

The median number of years of schooling completed in Russia, according to the population census of 1959, was about 3.8 compared with 10.9 in the United States. To compensate for this low level of educational attainment of the population at large, however, the USSR has concentrated on producing specialized secondary school graduates and particularly personnel with completed higher education.

In addition to an academic type of instruction, one third of which is devoted to the sciences and mathematics, the secondary school offers production and skill training to provide the essential technological preparation. The 1958 educational reform has intensified the emphasis on production training in schools. Each year 700,000 youths are drafted to enter training programs for the labor reserve.

A separate system of specialized secondary schools annually trains 250,000 industrial technicians and 300,000 other semiprofessionals for the economy.

The Soviet Union has only two thirds as many persons with partial or completed secondary education as America and less than half the number of professionals with completed higher education. In scientific fields and particularly in applied engineering, agriculture and medicine, however, the USSR today has from 25 to 200 per cent more professionals than the U. S.

Three fourths of U. S. higher education graduates are concentrated in the liberal arts, humanities, social science, or business administration. In the USSR close to 60 per cent are in engineering and applied science fields. Currently, the Soviet Union is graduating engineering and technical specialists at rates two to three times higher than the U. S.

Although in some fields the Russian educational system sacrifices quality for quantity, in science and engineering there is little doubt that Soviet professionals are at least comparable, if not superior, to those trained in America.

Use of scientific manpower

These engineers and scientists form the backbone of the Soviet technical elite. In the absence of generalists, the specialist functions

in various administrative positions. For instance, out of some one million engineers, about 470,000 work in industrial enterprises, at least half of them at managerial functions. Of the remainder, about 300,000 are in research and development, 200,000 in government administration, and 30,000 in higher education.

Thus about half of all Soviet engineers are engaged either in managerial positions in industry, which is controlled by government, or in government administration itself.

Similarly, in other professional fields, about two thirds of all agricultural graduates are employed in the management or administration of agriculture, a fifth of educational field professionals work in educational administration, and about one third of all Russian physicians have administrative jobs in medical or public health facilities.

It is a standing joke among Soviet medical students: "If you study hard, you'll be a doctor. If you just get by, you'll be a hospital director."

Why does Russia use technical specialists in management? Communist leaders believe that engineers, scientists and other professionals can handle managerial or coordinating jobs more effectively than generalists.

An additional criterion for executive jobs is, obviously, political loyalty. One third of all Soviet specialists are Communist Party members, compared with four per cent of the population at large. Appointment to all executive jobs must be cleared through the party hierarchy. The managers of some 1,200 major industrial plants, for example, are hand picked by the Central Committee of the Communist Party.

Technical decision-making

Because many top-echelon government officials—and particularly second-level executives and managers—are engineers, scientists, or other technical specialists, much attention is given to technical features of decision-making. After the planners' preferences have been expressed, the majority of decisions are made along the lines of technical efficiency or scientific feasibility.

Technological innovation, design, development, and even the testing of new products and processes are administratively separated from production activity and are the prerogative of the research establishment. They are guided by various governmental departments.

In research and development, two

distinct approaches exist. On the one hand, there is strong centralization aimed at eliminating duplication and departmental rivalry and directing efforts toward a single technological objective. On the other, particularly in defense and strategic applied science fields, competing teams are deliberately set up to solve the same design or development problem by different means.

This competitive approach, however, is seldom encountered in industrial technology, since nationwide standardization limits variation in technology, products and processes.

In the past three decades, technical decisions on the secondary level—in research institutes and industry—concerned the adaptation of borrowed technology to Soviet conditions. This enabled the Kremlin planners to leapfrog from economic backwardness and increase outputs spectacularly in a number of industries. The engineering training of Soviet management suited these conditions well.

The major task of industrial management in the USSR until now has been technical administration. In the United States and most free market economies, the planning of production and technological processes is largely the prerogative of management on the corporate level.

In the Soviet Union, such decisions are made largely outside the enterprise itself. Production goals are determined by the State Economic Council jointly with the State Planning Committee, which acts upon recommendations of various industrial research institutes.

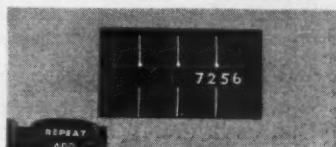
The Soviet plant manager is required to work chiefly with assigned factors—given technology, capital assets, given workforce, and required output targets. His main task is to minimize the cost of output.

In the short run, the Russians are able to choose objectives and mobilize resources for their attainment. The real problem, once the technology has been adopted, is how to modify it and keep it advanced.

For this purpose, Soviet technicians are continually shopping around the world for better products and better techniques. This is not always easy. The top transport aircraft designer, O. Antonov, once wrote: "It is hard to design a new aircraft from a photograph alone."

To invigorate and speed up technological development, the USSR maintains a huge research establishment with one million employees. This includes 450,000 professionals—350,000 of them research and aca-

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RED BRAINPOWER

continued

demic personnel—working in 1,600 research establishments. Two thirds of both institutions and personnel are engaged in the physical sciences and engineering.

What the future holds

Last April 12, a few hours before the cosmonaut was launched, the Soviet government announced a major reorganization of this research and development set-up, the establishment of a new State Committee on the Coordination of Research and Development.

This committee is headed by a former mechanical engineer, Konstantin N. Rudnev, whose career has been spent in the armaments industry, and weapons development. All but two of the committee members are engineers from various administrations having research and development functions. The head of the committee was given the rank of deputy to Khrushchev himself.

According to *Pravda*, the committee was established because of "unjustified duplications in research and irrational use of scientific personnel and material resources." Now, the Soviets hope, centralized control over all vital research and development work will lead to the "most rapid introduction of scientific and engineering accomplishments into the national economy."

The high policy-making role of the new agency is a recognition that Russian industry has reached a position where technological borrowing or adaptation is no longer enough. An expanded domestic research effort is needed.

Establishment of the new committee is only part of the answer. Until recently, the Soviet plant manager did not have to be concerned with the sale of his product. A seller's market prevailed and the consumer had to be satisfied with whatever was offered.

However, as the output of consumer goods increased, all the vexing problems of moving away from standard design, of product differentiation and even advertising began to emerge.

To cope with this situation, the Kremlin planners reverted to "scientific consumption norms," which ideally would prescribe individual tastes and the amounts of consumer goods each citizen should get.

In reality, however, these norms are to be derived from a study of consumer tastes, both technically

rational as well as irrational. The latter, Soviet economists admit, may even be manipulated by what, until recently, has been denounced as "wasteful capitalist advertising."

Recognition of these problems requires some adjustment in the outlook of technical managers and a reorganization of the decision-making mechanism of Russia's planned economy. One step in the latter direction was taken in the late 1950's, when the regional jurisdiction was interposed between enterprises and central planning and administrative organs. To satisfy local demands, the regional authorities can make decisions in regard to consumer goods.

Along with this, the management of industrial enterprises has been given more leeway in choosing the most profitable product mix, though still within limits approved by the planners. There is more talk about quality variation, such as the need for putting more chrome plating on cars and more diamonds on watches. Moreover, some western tools of applied economics are being discussed, and more realistic pricing introduced. In the past few years the Russians have learned that the well publicized sign—"Sale"—is a legitimate socialist device in marketing.

Associated with these developments has been a marked increase in the number of professionals trained in merchandising and economics in recent years—from 9,000 in 1955 to 22,000 in 1959. Similarly, the number and extent of economics courses required of all engineering students have been stepped up.

This does not mean a major planning shift from engineers (135,000 professional engineering graduates are planned for 1965 compared with 108,000 in 1959) or other applied science majors to business majors or pure economics specialists. But the increased attention to economic aspects is obvious even in the realm of professional training.

Until now the Soviet regime has been effective in its deliberate separation of technical rationality from economic and social goals. The technical specialist has been a tool of the communist planners, deprived of the power to exercise his independent judgment and creative thought in the field of social values.

The really vexing problem for the future is: Can the Russian people continue to borrow the technical fruits of foreign cultures without ultimately desiring to acquaint themselves with their roots? **END**



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1037 Jay Street, Rochester 3, N. Y.

SET YOUR OWN PACE TO SUCCESS

Your judgment of yourself
can determine your future

MOST OF US would like to know how far we will advance and what we will achieve in our business careers.

But we seldom seek this knowledge from the source best qualified to give it.

Associates make predictions.

Aptitudes, experience, knowledge, and talent are measurable to some extent.

But these are just part of the mysterious complex within each person.

The unknowns about a man are as significant, perhaps more significant, than the knowns. Otherwise how can we account for the great differences in achievement between persons of roughly equal aptitudes? Why does one man with a certain kind of experience attain so much more than another with similar experience?

The answers are rooted in qualities that are extremely difficult if not impossible to measure by test or interview. These qualities, and the degree to which they are possessed, are relatively invisible.

Only one person is able to assess them with approximate accuracy—the man who possesses them.

That's you.

A greater understanding of these intangibles will help you to envision your potential for advancement.

Your orbit of freedom

Outside the rigorous schedule of a typical business day, there is another orbit in every man's life. Let

us call it the orbit of freedom. In that part of our lives we exercise relatively wide discretion as to how we use our time.

Even that is probably too narrow a definition. Within the confines of a job, there is usually some flexibility. Certainly an executive's business day is typically a series of choices between alternate courses of action.

Our potential for advancement is closely tied in with the use we make of the waking hours of each day.

If it were possible to X-ray the so-called orbit of freedom, we would find, in some cases, vast wastelands of nothingness. In other cases, we would find that precious hours have been used to read, to write, to re-examine experiences in order to realize the greatest benefit from them, to think systematically about the future, and to evaluate the opportunities that lie ahead.

But it isn't possible to X-ray the orbit of freedom. None of us can really be sure how Tom, Dick, or Harry uses his free time or how he handles the discretionary time available to him on his job. Only Tom really knows what Tom does with his time. Thus only he is in a position to assign some weight to this part of his potential.

In describing the phenomenal rise of a young executive in a well known banking concern, one of his associates said, "I've never seen anything like it. Bill came out of nowhere."

Well, Bill didn't come "out of

nowhere." Successful executives rarely come out of nowhere. It only seems that way to others because they are not in a position to know how much someone really does with his time.

You are the only one who knows the intensity of your desire to use your time to good advantage. If you have convinced yourself that there are no spare moments in your life to learn more, to think more, and to create more, grade your own potential accordingly.

If on the other hand you are determined to do more constructive things with your time, you will create time. You will find that you can extend the frontiers of your orbit of freedom. In doing so, you will soon become aware of an increasing potential in yourself—sooner than anyone else.

Your performance peak

No human being performs executive or administrative tasks at a constant rate. We are more active in one week than another, sometimes more active in one day than another. Good ideas do not flow out with clocklike regularity. In this sense, an executive's performance is uneven.

Furthermore, the word performance, in a business context, cannot be defined precisely. At times we are all motion with no results. At other times wheel-spinning is at a minimum, and almost every action is fruitful. It is easier perhaps to define good performance. Good per-

formance for a business executive is more than doing—it is effective doing.

How long do your performance peaks last? An hour? A week? How much time passes between your performance peaks? Do you rouse yourself to your best performance once a month? Do you suffer a let-down of many months after a particularly good effort?

Obviously, the longer each peak lasts and the shorter the period between performance peaks, the more probable it is that favorable results will be achieved.

It is in the area of performance peaks that each executive makes a highly personal decision—whether or not to spend the required energy. For, as every business manager will testify, an enormous output of energy is required to reach the peak and to sustain it.

Nobody else can make this hard decision for you. Nobody can predict with certainty whether you will ever make such a decision. Moreover, this is not a one-time decision made irrevocably for life.

This much is clear. Whenever you decide to give the best that is in you—and for a sustained period—you will produce results that were never expected of you, perhaps results that you never expected of yourself.

You will also discover another interesting phenomenon. Today's performance peak, if reached with some consistency, may turn into tomorrow's performance minimum. So remember, each time someone thinks he has your potential accurately sized up, you have the power to make his estimate obsolete.

Read closely the careers of business leaders. You will find them filled with instances of new starts and changed directions. The head of one of this nation's largest electronic equipment companies climbed the ladder to varying heights in three other companies before he found his present niche.

But the actual shifts from one kind of job to another or from one field to another or even from a position in a large corporation to the establishment of one's own business—though they may be noticeable changes—reflect only one part of what may be called the reshaping process.

What is this process? It is the series of unpredictable changes in a man's aspirations, attitudes, general philosophy, and behavior patterns throughout his lifetime. It is not an exaggeration to say that, from time to time, in spirit and outlook, men

An executive's career-strength is a composite of many abilities:

To lead

To follow

To produce new ideas

To invent

To write well

To speak well

To learn rapidly

To convince

To organize and systematize

To make friends

To anticipate needs

To spot irrelevancies

To follow through

PACE TO SUCCESS

continued

are sometimes born anew. Both an outer and an inner force are intertwined in the reshaping process.

The outer force is an amalgam of educational experiences, geographical environment, the people with whom we come in contact, and family influences.

The inner force is self-examination. In terms of evaluating your own potential, it is usually the more important force. It is only through self-examination and self-criticism that you can make significant changes in your work habits, attitudes, and personal relations.

Note the difference in the results of your work when you devote even a single hour to following up one or two matters that you have been meaning to deal with for months. See how much more you accomplish in a single day when you move slightly away from a self-centered attitude toward a greater consideration for the feelings and ideas of others.

Self-criticism is a powerful force. The degree to which you exercise it is a dynamic factor in your potential. Though others may guess at your capacity for self-criticism, only you know whether you have this potent ammunition and whether you are using it to improve yourself.

Your catalog of strengths

An executive's career-strength is a composite of many qualities. One of the reasons it is so difficult to measure another person's potential is the tendency to judge him on too narrow a base.

What are some of the qualities and abilities that must be considered?

Here is a partial list of those that have a bearing on personal advancement:

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Men possess varying combinations of strengths. Some strengths, hidden in the deepest wells of our personalities, have never been brought into play. The not-yet-revealed and the partially revealed strengths may be dependent on a particular set of stimuli or circumstances.

The executive vice president of a leading building corporation, a quiet, seemingly introspective fellow during his college years, today enjoys a deserved reputation as the most outgoing leader in his industry. No college friend could have sensibly predicted this. Here was an instance of a hidden strength

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Generalizations fall apart in evaluating strengths. Look at the executives around you and see how statements like these are shattered by actuality:

"He'll go far—he's a good speaker." (But being a good listener may be even more important in a given set of circumstances.)

"He'll succeed—he's a good listener." (But he may not be able to translate the things he learns into effective action.)

"He won't get very far—he's not a good leader." (But a good follower may prove to be an invaluable right-hand man to a great leader.)

You have a keener awareness of your strengths than anyone else. Be

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Marketing plans that will pay off in future years are more effectively developed through a new method which takes into account all of the internal and external factors affecting your business.

When to use the needle

You can help your subordinates improve their work by judicious use of criticism and refusal to accept less than their best efforts. Here are suggestions on what to do and what to avoid.

How to find better men

Search for leaders of tomorrow will have better chance for success if business eliminates absolute requirement of a college education in hiring men as prospective management trainees.

... and many other timely, important and useful articles

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Nation's Business

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The old-fashioned virtue

"I work twice as many hours a week as most of the employees in our company." These are the words of the chief executive officer of a fast-growing manufacturing company. A multitude of top management men in companies everywhere could echo the sentiment with complete truthfulness. Talent and imagination, though important, may prove valueless until they are harnessed to the most old-fashioned virtue of all—hard work.

The fable of the tortoise and the hare applies in the business world. A flashy performance followed by a long sleep is no match over the long run for steady and consistent performance.

Candor compels some men to admit to themselves their unwilling-



ACTION . . . OR INERTIA?

When you hear about a new and badly needed community project, what do you do? Go into action . . . or stay on the sideline?

Even though the project deserves your support, the temptation to sideline it may be strong—simply because you're reluctant to add anything to a busy schedule. You're watching sales, checking operations, making plans, and well . . . just "minding the store."

A well-organized business man usually finds a place for an important community assignment in his schedule . . . or he wouldn't be well organized. There are many areas in every community . . . schools, highways, churches, playgrounds, taxes . . . that require the direct action, leadership and support of responsible businessmen like you . . . men who are the doers and leaders.

If you've been on the sideline, why don't you take a more active part in your community's growth? You'll find it very rewarding. It's easy to do too. Just call your local Chamber of Commerce and tell them what you'd like to do.



Pete Progress

Speaking for progress through
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ingness to work hard. Others are ready to make extraordinary sacrifices of time and energy to advance their careers.

Where do you stand? Others may guess at your potential for hard work, but only you really know whether you have the will to keep going when most men are more than willing to stop.

Courage

There is no practical way to test a man's courage except under actual and usually extreme situations.

Many situations require no courage whatsoever. For example, it takes little or no courage to make a decision that all your superiors urge you to make or clearly favor.

It does take courage to stand firm for an opinion in the face of ridicule. It takes courage to avoid an easy compromise. It takes courage to say what you believe when you know reactions will not be favorable and you could remain silent.

In trying to judge a man's potential, others may be fooled by his brave words under conditions in which it is easy to utter them. If so, his courage and therefore his potential may be overestimated. Or a gentleness of manner and of words may be wrongly interpreted as signs of weakness.

Clearly, it is hard for anybody to know how much courage he has. But each of us knows better than anyone else whether there is some steel underneath.

The unending judgment

During our entire lives, we undergo the judgment of others.

But the one judgment that really counts is the one we make of ourselves. It is far from a once-in-a-lifetime judgment. We make it every day. The conclusions we reach about ourselves are usually concealed inside us.

Thus, your potential is like an iceberg. Part of it can clearly be seen and measured, but much more of it is below the surface. Only you know what is underneath.

HOWARD R. DRESSNER
Assistant Vice President
New York University

REPRINTS of "Set Your Own Pace to Success" may be obtained for 10 cents a copy or \$7.00 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6 D. C. Please enclose remittance.



Call-in orders . . . lost!



Good customers . . . annoyed!



Decisions . . . stymied!



Sales leads . . . sidetracked!

HOW MUCH MONEY do you lose each week because callers keep getting your "busy" signal?

The business you're losing may run into hundreds of dollars. Change this picture with additional phone lines.

Nobody profits from a "busy" signal. You make money only when your prospects, customers, salesmen and suppliers can reach you and your staff easily.

With enough telephone lines into your business, call-in orders reach you on the first try. Sales leads get to you while they're hot. Questions are asked and answers given on the spot.

You make more profit, because you avoid delays.

And this extra profit is easy to get. To start the ball rolling, just call your Bell Telephone Business Office and ask for a Communications Consultant.



The best communications in the world can't help your business if you don't know about them. This man is one of our Communications Consultants. He can bring you the full story — how to beat the busy signal and dozens of other ideas for cutting costs and building profits. Call him. His services are offered free, without obligation.

BELL TELEPHONE SYSTEM

The one source for all business communications



HOW TO LISTEN TO POLITICIANS

PART II

EACH YEAR, the University of Connecticut, through the Loeb Awards, recognizes "distinguished business and financial reporting."

One of this year's awards went to Tait Trussell of **NATION'S BUSINESS** for the article "How to Listen to Politicians," in our September, 1960, issue.

Although the article was written to help voters evaluate campaign promises, it is even more useful today as a guide for citizens who wonder how much of the work that is making this one of the busiest Congresses on record is actually in the best interest of the country.

Mr. Trussell wrote: "Some of the candidates' most florid promises will involve their readiness to act on national needs. A national need is usually described as something that the people want done but are unable to do for themselves."

The article then urged the listeners to decide if the presumed need was actually national or merely nationwide.

Defense is obviously a national need. But the Administration has urged—and Congress has agreed to—Washington responsi-

bility for depressed areas, local sewer plants, private homes. Further action is proposed by which Washington would build local schools, subsidize local airports, give further aid to colleges and students.

The article also pointed out:

"What politicians sometimes see most clearly as national needs are the real or imagined needs of specific voting blocs."

Proposed measures to enlarge or extend aid to farmers, educators, the unemployed, the aged, and the young show that the candidate's view of needs becomes no clearer after election.

Nor, apparently, does his understanding that "to pay for federal aid, Uncle Sam has to reach back to the communities to dig up the money."

This means that, in adopting programs such as those which have held Washington's attention, politicians are also promising to bring about inflation or higher taxes.

This unspoken promise is being kept.

In one of its few actions on a truly national problem, Congress voted to increase the limit on the federal debt.

Long Distance pays off in extra sales



"We follow up orders by Long Distance, and boost sales"

says **Leo Blackwell, vice president,
Southern Electric Supply Co., Meridian, Miss.**

"You'd be surprised how often you can increase the size of an order if you get back to the customer fast enough," reports Mr. Blackwell.

"That's why we call customers when we get their orders. By talking about related items—or about a special offer, we can frequently boost the size of a sale.

"A few weeks ago, we jumped an order from \$150 to \$2000 that way. And the cost of the call was \$4.80."

Long Distance pays off! Use it now . . . for all it's worth!

LONG DISTANCE RATES ARE LOW

Here are some examples:

Meridian, Miss. to Birmingham, Ala.	65¢
Chicago to Toledo	80¢
Detroit to New York	\$1.25
Philadelphia to Indianapolis	\$1.35
Washington, D.C. to Los Angeles	\$2.25

These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.

BELL TELEPHONE SYSTEM



PACE TO SUCCESS

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PACE TO SUCCESS

continued

ingness to work hard. Others are ready to make extraordinary sacrifices of time and energy to advance their careers.

Where do you stand? Others may guess at your potential for hard work, but only you really know whether you have the will to keep going when most men are more than willing to stop.

Courage

There is no practical way to test a man's courage except under actual and usually extreme situations.

Many situations require no courage whatsoever. For example, it takes little or no courage to make a decision that all your superiors urge you to make or clearly favor.

It does take courage to stand firm for an opinion in the face of ridicule. It takes courage to avoid an easy compromise. It takes courage to say what you believe when you know reactions will not be favorable and you could remain silent.

In trying to judge a man's potential, others may be fooled by his brave words under conditions in which it is easy to utter them. If so, his courage and therefore his potential may be overestimated. Or a gentleness of manner and of words may be wrongly interpreted as signs of weakness.

Clearly, it is hard for anybody to know how much courage he has. But each of us knows better than anyone else whether there is some steel underneath.

The unending judgment

During our entire lives, we undergo the judgment of others.

But the one judgment that really counts is the one we make of ourselves. It is far from a once-in-a-lifetime judgment. We make it every day. The conclusions we reach about ourselves are usually concealed inside us.

Thus, your potential is like an iceberg. Part of it can clearly be seen and measured, but much more of it is below the surface. Only you know what is underneath.

HOWARD R. DRESSNER
Assistant Vice President
New York University

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HOW TO LISTEN TO POLITICIANS

PART II

EACH YEAR, the University of Connecticut, through the Loeb Awards, recognizes "distinguished business and financial reporting."

One of this year's awards went to Tait Trussell of **NATION'S BUSINESS** for the article "How to Listen to Politicians," in our September, 1960, issue.

Although the article was written to help voters evaluate campaign promises, it is even more useful today as a guide for citizens who wonder how much of the work that is making this one of the busiest Congresses on record is actually in the best interest of the country.

Mr. Trussell wrote: "Some of the candidates' most florid promises will involve their readiness to act on national needs. A national need is usually described as something that the people want done but are unable to do for themselves."

The article then urged the listeners to decide if the presumed need was actually national or merely nationwide.

Defense is obviously a national need. But the Administration has urged—and Congress has agreed to—Washington responsi-

bility for depressed areas, local sewer plants, private homes. Further action is proposed by which Washington would build local schools, subsidize local airports, give further aid to colleges and students.

The article also pointed out:

"What politicians sometimes see most clearly as national needs are the real or imagined needs of specific voting blocs."

Proposed measures to enlarge or extend aid to farmers, educators, the unemployed, the aged, and the young show that the candidate's view of needs becomes no clearer after election.

Nor, apparently, does his understanding that "to pay for federal aid, Uncle Sam has to reach back to the communities to dig up the money."

This means that, in adopting programs such as those which have held Washington's attention, politicians are also promising to bring about inflation or higher taxes.

This unspoken promise is being kept.

In one of its few actions on a truly national problem, Congress voted to increase the limit on the federal debt.

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